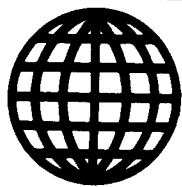


JPRS-NEA-87-079 278072
30 JULY 1987



**FOREIGN
BROADCAST
INFORMATION
SERVICE**

JPRS Report

DISTRIBUTION STATEMENT A

Approved for public release;
Distribution Unlimited

Near East & South Asia

DTIC QUALITY INSPECTED 2

19980603 109

REPRODUCED BY
U.S. DEPARTMENT OF COMMERCE
NATIONAL TECHNICAL
INFORMATION SERVICE
SPRINGFIELD, VA 22161

10
118
A06

JPRS-NEA-87-079

30 JULY 1987

NEAR EAST & SOUTH ASIA

CONTENTS

INTERNATIONAL

Industrial Maintenance Suffers From Lack of Domestic Skill (AL-THAWRAH, 10 Jun 87)	1
Study Predicts Continued Reliance on Expatriate Labor (AL-THAWRAH, 10 Jun 87)	3

NEAR EAST

REGIONAL

Increase in Soviet Assistance 'Welcome' (AL-MUSTAQBAL, 2 May 87)	6
---	---

PALESTINIAN AFFAIRS

Israeli Policies 'Frustrate' Palestinian Farmers (AL-BAYADIR AL-SIYASI, 23 May 87)	8
---	---

EGYPT

Columnist Defends Government Against Sectarian Charges (Musa Sabri; AL-AKHBAR, 12 May 87)	12
Muslims Urged To End Differences (Mahmud 'Abd-al-Mun'im Murad; AL-AKHBAR, 12 May 87)	14
New Foreign Currency Regulations Lauded (Muhammad Tantawi; AL-AKHBAR, 13 May 87)	16

Economic Reforms Welcomed (AKHBAR AL-YAWM, 16 May 87)	17
ISRAEL	
Gush Emunim Leaders Criticized (Yo'el Ben-Nun Interview; KOTERET RASHIT, No 232, 13 May 87)	19
Statistics on Circassians in IDF Reported (BAMAHANE, No 30, 23 Apr 87)	23
Government Blamed for Decline in Sciences, Technologies (TEKHNOLIGIYOT, No 41-42, Mar-Apr 87)	24
Crisis in Electronics Industries Explained (TEKHNOLIGIYOT, No 41-42, Mar-Apr 87)	28
Briefs Scientific Exchange With China	30
LEBANON	
Situation in South Called Result of American Manipulation (AL MUSTAQBAL, 2 May 87)	31
Briefs Soviet Assistance for Druze	34
SOUTH ASIA	
AFGHANISTAN	
Private Sector Plays Major Role in Country's Economy (HEYWAD, 11 Jun 87)	35
BANGLADESH	
President, Party React to Indian Communal Riots (THE BANGLADESH OBSERVER, 2 Jun 87)	37
Ershad 1 Jun Speeches	37
Jatiya Reaction	38
Parliament Condemns Killings on Indian Border (THE BANGLADESH OBSERVER, 17 Jun 87)	40
Official on Shanti Bahini, Border, Tribal Problems (THE NEW NATION, 17 Jun 87)	42

Minister Explains Food Situation to Newsmen (THE BANGLADESH OBSERVER, 18 Jun 87)	43
Writer Notes Indian Press Campaign on Chakma Issue (M. R. Rousseau; THE NEW NATION, 9 Jun 87)	45
BNP Protests Inclusion of Military on District Bodies (THE NEW NATION, 11 Jun 87)	47
Communist Party Central Committee Resolution Reported (THE NEW NATION, 10 Jun 87)	48
Parliament Passes Amendment to Nationalization Law (THE BANGLADESH OBSERVER, 18 Jun 87)	49
Paper Publishes Text of Ershad New York Speeches (THE NEW NATION, various dates)	50
10 Jun Speech	50
Speech to Development Council	52
Comment, Reportage on Contents of 1987-88 Budget (THE NEW NATION, various dates; THE BANGLADESH OBSERVER, 22 Jun 87)	56
Highlights of Budget	56
Budget Speech Text, Annex	58
Editorial Expresses Doubts	102
Protest From Opposition	105
PAKISTAN	
MSM Plans Campaign Over Shariat Bill (THE PAKISTAN TIMES, 1 Jul 87)	107
Local Elections Planned for October (Ashraf Hashmi; THE MUSLIM, 27 Jun 87)	108
Commentary Views PPP Developments (THE MUSLIM, 27 Jun 87)	109
MQM Boycotts Jang, Protests Alleged Bias (Dastgir Bhatti; THE MUSLIM, 27 Jun 87)	111
Official Talks About New Trade Policy (THE PAKISTAN TIMES, 1 Jul 87)	112
Briefs	
Minister on Wuller Barrage	113

INDUSTRIAL MAINTENANCE SUFFERS FROM LACK OF DOMESTIC SKILL

Sanaa AL-THAWRAH in Arabic 10 Jun 87 p 9

[Text] Doha--An industrial report about industrial maintenance in small and medium-sized Gulf industrial establishments asserts that these establishments in the countries of the Arabian Gulf region suffer from many problems in the area of maintenance and repair. This can be traced to a number of causes, among which are:

--The region's direct reliance on foreign companies to erect factories and import the machines and equipment required for them.

--Almost complete reliance on imported spare parts and foreign expertise in the initial stage of carrying out maintenance operations.

--Lack of sufficient expertise to take charge of maintenance after the establishment and incorporation of industry into the country.

--Multiple sources of spare parts and multiple technologies.

--Uncoordinated policies and systems followed in carrying out maintenance operations and the long period of time required for carrying out these operations.

--The existence of certain administrative and organizational obstacles.

The industrial report prepared by the Gulf Industrial Consulting Organization indicated that these factors greatly influence the quality of maintenance operations. Productivity has therefore decreased, and production and maintenance expenses have risen.

The report mentioned that most countries of the region have turned to establishing policies and plans for preparing local talent, on the one hand, and for paying attention to the question of maintenance and preservation, which represents the corner stone in the industrialization process.

The report said there are a number of appropriate measures for improving and facilitating maintenance operations, so that these operations will pay off in terms of treating and preventing [problems] so as to preserve invested

capital, build up the ability of the region's countries to overcome the dangers of dependency, and achieve a degree of industrial independence.

The report enumerated the most prominent of these measures:

--Attention to establishing central repair shops and maintenance facilities within industrial regions to carry out planned maintenance operations and major and medium repairs that lie beyond the capacities and abilities of the maintenance shops in small and medium-sized industrial establishments.

--Attention to maintenance plans and reliance on methods of planning and programming with those central repair shops as a guarantee for the carrying out of their operations in the most complete way.

--Regulation of the maintenance apparatus and of its position in the organizational structure in medium-sized establishments, and choice of the method that is appropriate and fitting for the nature of their operations.

--Allocation of a budget for carrying out in-house maintenance operations, and attention to supervising maintenance operations adequately and constantly in order to guarantee that machines and equipment operate continually.

--Attention to providing training equipment and the resources needed to prepare workers and specialists trained in maintenance operations, in order to overcome the lack of a work force and its lack of ability in this field in the region.

--Consideration of maintenance requirements in the study stages of industrial projects and in the contract agreements for implementing projects, especially the choice of equipment, machines, and spare parts.

12937

CSO: 4404/411

STUDY PREDICTS CONTINUED RELIANCE ON EXPATRIATE LABOR

Sanaa AL-THAWRAH in Arabic 10 Jun 87 p 9

[Text] Al-Manamah (GULF NEWS AGENCY)--A study of current economic indicators and labor market conditions in the Arabian Gulf countries has stressed that expatriate workers in these countries will continue to form a basic element of the input of current development types in the region.

The study presented to the symposium on labor force development and future challenges which began its activities in Bahrain last Monday morning made it clear that current indicators point to a decrease in the rate of new expatriate arrivals in the Arabian Gulf countries.

However, as a result of the importance of their economic and social role in the previous stage, expatriate workers will continue to form an element of the input of current development types in the region.

The study, which was prepared by Dr Baqir al-Najjar, professor of sociology at Bahrain University, stated that it may not be an exaggeration to say that the current development types in the region took shape in the light of expatriate workers, rather than in the light of possibilities for the supremacy of local workers.

The study went on to say that whether oil prices maintain their current prices of \$18 to \$20 or move higher or lower, expatriate workers will probably tend to stay over the short run in particular economic sectors such as industry and in social sectors such as personal services. This will be because of numerous circumstances, among them the nature of the technical and banking qualification to which local labor is subject, in addition to the nature of the various economic sectors of the labor force, particularly the private sector, which sometimes requires particular specifications that may not be plentiful in the local work force or which local workers may not accept.

The study pointed out that current indicators, at least, seem not to draw an optimistic picture of the economy of the region, despite assurances of a return of prosperity to its previous condition.

The study said that the region is predicted to enter soon, perhaps in the

nineties, a stage of economic growth that can be considered balanced and normal.

On a related subject, the head of management development in the Bureau of [Government] Employees said in a working paper presented to the symposium that training is acquiring particular importance in the current period through which Bahrain is passing. He indicated that preparation for the post-petroleum era and attempts at rationalizing expenditures and maintaining the level of services provided to citizens call for greater attention to training, through which material and human resources can be better exploited.

The study explained that this throws a greater burden on government institutions in confronting the current and future requirements for technical and managerial workers.

On a related subject, a study on training and the challenges of the future in the Gulf countries stated that the countries of the region face narrow options in the choice of appropriate means and strategies aimed at real development of their economic situation.

The study, which was prepared by Dr 'Ali al-Tarrah, assistant to the deputy director of Kuwait University, and presented to the symposium, stated that the option of human investment represents the optimal choice for the situation of Gulf societies.

The study asked for review and reevaluation of the development concept so that development might finally be primarily practical and liberating, with its object being the individual, who ought to have available to him all the possibilities that would raise his degree of participation in building the economy of his country.

The study criticized the [government] employment practices followed in the Gulf countries and said that employment, according to these policies, has come to perform a political function, more than it reflects the nature of the actual needs of the national economy. As a result, government agencies have become swollen, while productivity has fallen.

The study also said that it is very regrettable that the period of development in the Gulf region was not accompanied by scientific development of the concept of advancing the national labor force. It said that this work force had in its present state become a marginal work force.

The study pointed out that not only was this the case, but the situation had gone beyond this, so that development plans had produced negative results affecting the formation of the mentality and behavior of citizens of these countries.

In this regard, the study pointed to the values of work, production, and institutional loyalty. It said that these occupied a low rank and were replaced by values of luxury consumption.

The study asked for a clear population policy, together with the preparation of policies concerning migration and the attraction of expatriate workers, elimination of the inflexibility of job schedules, clarity of training concepts and policies, strengthening of the relation between education and the actual needs of the national economy, and review of the social welfare policy and its resultant creation of broad social strata that rely on the state for their living, on the one hand, and its destruction and denigration of the values of productive labor, on the other hand.

12937

CSO: 4404/411

INCREASE IN SOVIET ASSISTANCE 'WELCOME'

Paris AL-MUSTAQBAL in Arabic 2 May 87 p 12

[Text] The Russians are coming, the Russians are coming! They are not coming to the shores of the United States, as in the American comic movie. They are coming to the Middle East, the area which the Americans have added to their areas of vital and strategic interests. They, the Americans, are the authors of the famous slogan, "the strategic consensus," i.e., coordinating with their allies in the area to curb Soviet ambitions there. From the alleys of Beirut to the war in the Gulf, from the meetings in Algiers to oil tankers passing through Hurmuz, Soviet footprints can be seen by any observer.

And from the alleys of Beirut to the Gulf war, to Algiers and the Hurmuz straits, the Americans watch the recent Soviet moves with fear and alertness.

But are not the Americans themselves the ones who prepared the way for the Russians' return, or for their obvious assault in the Middle East, by choosing Israel as the central and sole ally in the "strategic consensus" with which they proposed to curb the Russians?

Who would ever have dreamed of the establishment of diplomatic relations between the Soviet Union, on the one hand, and Kuwait, the United Arab Emirates and the Sultanate of Oman, on the other?

And who would ever have dreamed that Soviet oil tankers would carry Kuwaiti oil--yes, Kuwaiti oil--through the Hurmuz straits?

And who would ever have dreamed that Moscow would have its way in the Palestine National Council meetings in Algiers?

And who would ever have dreamed that Moscow and Cairo would have talks and would sign an economic agreement, after the estrangement engineered and executed by al-Sadat?

And who would ever have dreamed that the Kremlin's maneuvers would become the bullet of mercy for the coalition government in Israel?

It is only natural that special and excellent relations continue between the Russians and their friends and allies in the Middle East.

And it is only natural that President al-Asad should arrive in Moscow not as a guest but as an ally and partner in planning the policy of balance in the area.

This has been the status quo for some time between Moscow and Damascus, and it is not a new thing. However, since the coming of Gorbachev to the Kremlin in March 1985, it has gained impetus.

The Russians are advancing in and the Americans are retreating from our area because there is no settlement of our struggle with Israel without the participation of the Soviet Union.

We have tried the Americans and they gave us the two Camp David accords; they have divided us, stabbed us, and continue to violate our rights.

No settlement of the Gulf war is possible without the participation of the Soviet Union. We have tried the Americans, and we caught them conspiring with their ally in the region, Israel, to prolong the war and increase our bleeding.

The Russians are coming, of course they are coming. Why shouldn't we open the doors for them? Have we not had enough humiliation from the Americans?

13340/8309

CSO: 4404/347

ISRAELI POLICIES 'FRUSTRATE' PALESTINIAN FARMERS

Jerusalem AL-BAYADIR AL-SIYASI in Arabic 23 May 87 pp 29-30

[Report by Yafa Center for Documentation and Information Services: "Whither Arab Agriculture? Obstacles to Marketing the Production of Arab Farmers"]

[Text] Land confiscation is not the only obstacle preventing the development of Arab farmers in Israel. The government blockade encircling them extends to problems of marketing, irrigation, modern mechanization, and monopoly companies--even to mobilization of the free international market.

What is the situation of Arab farmers in Israel?--a question that immediately comes to mind when one hears news that the farmers of the village of al-Mashhad burned their \$2,000 tobacco crop.

The people of this Galilean village turned to this solution after the monopolistic Dubek Company refused to buy their crop, thus shutting before them every possibility for marketing it.

What is the future of Arab farmers, given the fact that the Dubek Company is not the only monopolistic organization with which the remaining Arab farmers are forced to deal?

Immediately before 1948, Palestine was an agricultural country, with agricultural products making up 90 percent of its total exports.

With the establishment of Israel, the fundamental basis of agriculture, land, was snatched from under the feet of Arab farmers. The Palestinians who resisted dispersion and succeeded in remaining in their homeland, though within the borders of the state of Israel (they number 750,000 today), lost most of their land because of repeated confiscations and now work only a small area, no more than 350,000 dunums, according to the estimate of Mr Ibrahim Nimr Husayn, chairman of the Regional Committee of Heads of Arab Councils.

"Of this amount, an average of 100 meters per person are for building, i.e., about 75,000 dunums. The remaining 275,000 dunums are devoted to agriculture, i.e., the equivalent of one-third dunam for agriculture per person." This is what As'ad 'Azayizah, head of the local council of the village of Dabburiyah, stated. On the other hand, Jewish farmers own three times this area. The

distribution of agricultural land among Jews amounts to 1.16 dunam per person (more than 4,000,000 dunums distributed among approximately 3,500,000 Jews).

The shrinkage of land area took place, as we said, because of repeated confiscations, which caused a village like Umm al-Fahm to lose 80 percent of its lands and caused al-Tayyibah to lose 88 percent. ("Its lands used to reach the sea to the west," as Abu-Khalid, a strawberry farmer in the village, states.)

Land Distribution

The remaining Arab agricultural lands are distributed in three principal areas:

1. The Negev: This was the largest geographical region in Palestine (about one-half of the country's area). It is a desert region by nature. Today, it is still inhabited by some Arab tribes that subsisted historically on animal herding and on a meager rain-dependent agriculture--wheat and barley, for example.

No change in kind has affected the state of agriculture in the Negev, except for the tragic shrinkage in land area. The Arabs there continue to own only 3 percent of what they owned before 1948. The wheat crop in the region continues to be no more than 100 kg per dunam. In Marj Ibn 'Amir [the Plain of Jezreel], it reaches 350 kg for Arab farmers, who also depend on seasonal rain. For Jewish farmers, who rely on irrigation and advanced agricultural tools, it reaches 450 kg.

2. The Triangle: One of the most fertile regions is the coastal plain in Palestine. Its inhabitants continue to own only 13 percent of their agricultural lands. Nevertheless, the Triangle occupies first place in Arab agriculture in terms of arable land area, and quantity, variety, and kinds of production. In fact, the village of al-Tirah occupies first place in all of Israel in quantity of strawberry production. This is what the strawberry growers there state, and they add: "In 1967, al-Tirah's share of strawberry production amounted to 60 percent of total Israeli strawberry production. Today, however, the ratio has dropped to about 40 percent because of competition from neighboring Jewish settlements like Hod Hasharon." In addition to strawberries, they grow vegetables in small quantities. Recently, they began the experimental growing of roses in the village of Qalansuwah.

3. Marj Ibn 'Amir [the Plain of Jezreel] and Galilee: This is a varied region of plains and mountains, with traditional rain-dependent agriculture (e.g., grain, tobacco, and olives), as well as irrigation-dependent vegetable farming, as is the case in I'billin, Tamrah, and Kabul.

Galilee contains the largest concentration of Arab residents on their own land, and this puts it in the forefront of the interest of the government, which looks at it with an anxious eye and with "political-demographic considerations." The government is confronting the area with intensification of confiscations and various pressures. One result of these was the Yawm al-

Ard [Day of the Land] explosion in 1976 as an expression of the Arab masses' rejection of this policy.

Among their other problems, the farmers of Galilee face two that are peculiar to them and which we shall discuss below.

Circle of Government Obstacles

In general, the obstacles the government places before Arab farmers can be summed up as follows:

1. Shrinkage of the area of agricultural land because of various confiscations, and at the same time a marked increase in population: from 150,000 in 1948, to 750,000 today. The result: Arabs are forced also to use their agricultural land for building.

2. Shortage of water available for irrigation: "The share of water allocated per dunam for the Arab farmer does not exceed 30 percent of the share allocated for the Jewish farmer," states Mr Muhammad 'Abd-al-Karim Mansur, a member of al-Tirah local council and president of al-Mahsul Irrigation Association. Furthermore, the Agriculture Ministry has decided to decrease the water share generally by 13 percent starting with the coming year for the next 5 years to save the state's water reserve.

The remaining unirrigated land in Marj Ibn 'Amir [the Plain of Jezreel] "depends on the Lord," as says the farmer Husayn 'Abd-al-Hadi, secretary of al-Safi Association, which is trying to introduce an irrigation project in the village of Iksal. He points to the serious obstacles that impede implementation of the project and asserts that it would require farmers "to pay \$100 per dunam, while the yield of the land may not equal the money invested in it."

3. The fixing of production quantities of certain crops, such as carrots, peppers, onions, sweet potatoes, and strawberries. The total amount of sweet potatoes the Agriculture Ministry allows to be grown among the Arabs cannot exceed 16 tons. At the same time, the settlement of Migal (near Jatt) by itself produces the same quantity of sweet potatoes. In the entire Triangle, the strawberry crop is not allowed to exceed 130 tons and cucumbers 350 tons, etc.

4. In case Arab farmers violate these directives, they collide with the next obstacle: marketing--on pretext of "maintaining the level of prices," as Simha 'Ofer, director of the Department of Production and Marketing, says. One of the farmers says, "Arab farmers are prohibited from marketing the surplus of their production. To enforce this prohibition, the Marketing Department sends out its inspectors to arrest anyone who buys from us secretly and to carry out surveillance of vegetable stores and find out the source of their merchandise."

5. Agricultural advice: The Agriculture Ministry does not employ a sufficient number of agricultural advisors among the Arabs. Their number today does not exceed 17. The advice they give is usually inappropriate to

the level of development of Arab agriculture. For example, if an Arab farmer is advised to spray his crops by airplane, with 1 hour of its services costing \$5,000, this advice will be of no use to him because he simply does not have the required sum of money. The ownership of Arab land continues to be individual, and its area is constantly shrinking.

6. Government support: As Muhammad 'Abd-al-Karim Mansur says, "The government does not help us with a single penny. And this is what all the Arab farmers I have met also say. In the event that the government does agree to support us, it offers support to us in the form of loans. This we reject because we do not want to drown in debt like the settlements. Perhaps the government will pull them out of their crisis, but for us it would mean the loss of our land."

7. One can therefore see some Arab farmers still plowing the ground with animals, because they do not have enough money to buy tractors. As for those of them who own tractors, their tractors are usually small, old, and unable to plow the ground deeply and quickly.

Tobacco and Olives

In recent times, the government has turned to the international markets to strike a blow against two established branches of agriculture more characteristic of the Arabs than of the Jews: tobacco and olives.

When the tobacco farmers came to market their product, Dubek Company refused to buy it on the pretext that its variety was inferior. The farmers deny this and assert that the company bought the same variety of tobacco from them the preceding year. The real reason for the company's position, they say, is the drop in the price of tobacco on the international markets in comparison to its local price.

The same problem confronted the olive-growing sector, which flourished in recent times, with oil prices reaching \$6 per kilo in 1985. Last year, however, the price dropped to one-half, and large surpluses remained unmarketed. "The reason was the large amount of olives!"

Muhammad Husayn, whose family left many olive trees unpicked "because he could not sell the olives," rejects this claim, stating, "Instead of importing olive oil from Spain and Greece, it would be better for the government to export our local production." This is also asserted by Mr 'Azir 'Artul, the direction of tobacco and olive production and marketing.

In the end, the government's position toward Arab farmers sometimes reaches a curious inconsistency. In a meeting held on 26 February 1987 in the village of Jatt, Deputy Agriculture Minister Aryeh Nehamkin congratulated Arab farmers on their diligence and ability to overcome difficulties, stating that "the quantity of Arab farmers' agricultural production exceeds that of Jewish farmers who engage in the same kind of agriculture, in spite of the fact that the government does not support the Arab farmer with a single dollar." To confirm this, the Agriculture Ministry awarded second prize to a plastic warming system planted with cucumbers belonging to Mr Ahmad Mansur of al-Tirah and first prize to the experimental rose farm in Qalansuwah.

12937

CSO: 4404/410

COLUMNIST DEFENDS GOVERNMENT AGAINST SECTARIAN CHARGES

Cairo AL-AKHBAR in Arabic 12 May 87 p 1

[Column by Musa Sabri: "Shame, Doctor!"]

[Text] Sedition sleeps. May God damn whoever wakes it. Wise words. It is our stand that references to sectarian discord should be made with a sense of responsibility. May God curse anyone who engages in excesses or displays ignorance or irresponsible stupidity when talking about such matters.

I am saying this because a friend has drawn my attention to lines penned by a law Jum'ah professor, Dr Nu'man Jum'ah, who has recently discovered politics and accordingly has been chosen by the leader of the Wafd Party as a confident enjoying special favor and coddling.

Nothing wrong with that.

Such a choice is not proscribed, nor can there be any objection to it.

However, let us discuss what is written about sectarian strife.

The law professor says, in sum, that it is the government that planned, fomented and set in motion the sectarian incidents in Sawhaj and Bani Suwayf. It is the government that stormed mosque and church. Why? In order that it benefit in the elections. That is the secret that explains why the sectarian incidents did not spread but died out, because the government, just as it fomented them, also brought them to an end.

Now, I cannot charge the author of such excesses with being ignorant; after all, he is a law professor.

Nor can I demean the intelligence that helped him reach such academic heights.

But I do say to him that taking up politics at such an advanced age can lead to such drivels.

Can there really be a responsible government, Mr Nu'man, that would spark sedition among its own people? Can any reasonable person imagine that it would foment incidents that might spark civil war completely destroying the

necessities of life? It needs no scholarly jurist to answer that question in the negative.

You know that it was the awareness of the people that extinguished the flames when they broke out, that it was the patriotism of religious and political leaders that put an end to the evil of civil strife and that it was rapid, responsible action that contained the evil.

It behooves all of us, in whatever position we find ourselves, to offer enlightened opinion, clear thinking and unsullied intentions as we air our views on sedition so long as we rights aim and with all our might, have as our objective a strong defense of our national unity.

As for such drivels, it is not worthy of your educational level or high rank in a political party...doctor.

13291/6662

CSO: 4505/252

MUSLIMS URGED TO END DIFFERENCES

Cairo AL-AKHBAR in arabic 12 May 87 p 3

[Book review by Mahmud 'Abd-al-Mun'im Murad]

[Text] "Islam Without Sects" is a huge 500-page tome by our friend and colleague Dr Mustafa al-Shak'ah, the first, augmented and revised edition of which has recently been published. The first edition appeared in 1962 with a several-page introduction by his eminence the late Shaykh Mahmud Shaltut which I found to merit consideration, understanding and the attention it deserves, particularly these days. Shaykh Shaltut wrote that God has called upon the nation of Islam to unite and abjure forming sects and parties at each others' throats. The imperialists had exploited the differences between Muslims in the worst possible way, even though Muslim reformers realized the harm besetting their religion and their countries as a result of those differences, urging that Muslim ranks be closed and that all causes alienating followers of one denomination or one creed be renounced. The call to close the ranks of Muslim doctrines is not a demand that one be discarded in favor of another, but that all doctrines be purified of the contaminants stirred up by partisan bigotry and arrogance and fanned by a mob mentality.

According to the late Shaykh Mahmud Shaltut, the only way to restore Muslim unity and strength is to not take others as lord rather than God and to discard all interpretations inconsistent with the legitimate texts contained in God's Holy Book and true Sunnah, understanding them the way they were understood by the contemporaries of the Revelation, resisting all attempts by anyone to monopolize the teachings of our faith.

The book is a valuable study lucidly reviewing the Muslim faith and bringing out its consistency with the proper humanitarian outlook and the rule of reason, avoiding doctrinaire complexities arising out of errors in concept and distorted views. The book serves to rebut many controversial doubts concerning such matters as polygamy and slavery. It goes on to sum up the author's original intention which is to discuss Muslim factions and how each came about and developed in an indulgent and flexible style that arouses no discord, stirs no grudge and explodes no temper. It is finally a new attempt to pick up the pieces, reconcile hearts and close Muslim ranks, the primary goal of all reasonable Muslims.

The most important feature of this valuable book is its comprehensive study of moderate and extremist Muslim factions such as the Sunnis, Shi'ites, Kharijites, Druze, 'Alawites, Qadiyanis, Ahmadis, Mu'tazilites, Wahhabis, and Sufis. The work follows their emergence and development, imputing the reasons for the differences that arose between them to political motives in most cases. Despite the difficulty of researching the origins of these factions, the author has been able to describe them in an easy and objective style.

All sincere Muslims would do well to read the contents of this book attentively and seriously thereby, perhaps, being able to understand the reasons that have led the Muslim world today to such discord as to incite armed strife. May the Almighty preserve us from the evils of division and schism.

13291/6662

CSO: 4504/252

NEW FOREIGN CURRENCY REGULATIONS LAUDED

Cairo AL-AKHBAR in Arabic 13 May 87 p 5

[Commentary by Muhammad Tantawi]

[Text] The economic decrees regulating the free foreign exchange market announced by the government constitute a much needed step beneficial to Egypt's economy. They bring to an end the chaos which reigned in this vital area, draining vast amounts of the country's hard currency, clandestinely traded or retained abroad either out of fear of bringing it in, or in the hope of maximizing exchange rates.

It was unreasonable that there be two or three exchange rates for the Egyptian pound all differing from the black market rate quoted by money changers. Attempts by government authorities have proved that the exchange rate cannot be determined by official decree, particularly when that rate is substantially lower than those quoted by money changers. Those attempts thus failed to attract substantial amounts of the savings of Egyptians working abroad, since it was unreasonable to expect most of them to transfer their foreign exchange savings to Egyptian banks at a rate of 136 piasters to the dollar; for example, when some people were converting them at a rate of 217 piasters or more to the dollar.

For years many Egyptian economists have urged that the foreign currency exchange rates be released from their unrealistic regulations and left to the determination of the law on supply and demand, subject to acceptance of whatever rates are decided by that law, which would be far more realistic than those declared by the Central Bank and that have remained static despite market developments that long ago outpaced those rates.

Will the effect of the bold and decisive step taken by the government to deregulate foreign exchange transactions and reorganize the banking market quickly appear in the shape of increased remittances by Egyptians of their savings abroad, the encouraging of the tourist industry to make greater efforts to attract tourists, and the revitalizing of private sector exporting, not to speak of the fact that these decrees will be the first nail in the coffin of the speculators and money changers?

13291/6662

CSO: 4504/252

ECONOMIC REFORMS WELCOMED

Cairo AKHBAR AL-YAWM in Arabic 16 May 87 p 9

[Text] For the first time in many a long year we are no longer hiding our heads in the sand. We have disproved the old adage that says: "Shut that drafty door and get some peace."

The economic decrees which were issued recently indicate the beginning of a new phase in which we face up to our problems squarely.

Over the past years we have left it to exploiters and speculators to control the money rates. The result has been sheer lunacy in an illegitimate market which has become such a "fait accompli" that public sector corporations have often been compelled to deal with it. For example, when the American dollar was plummeting in all parts of the world, we saw a mad scramble upwards in this country. The outcome, from which we all suffered, was sky high prices due to the reliance of many of our manufactures on imports of intermediate commodities and production inputs.

It would be premature to pass judgment on the new decrees. Only practical experience will throw light on their positive and negative aspects. They do, however, hold out hope that we have begun to act positively and are no longer subject to intimidating campaigns when it comes to making the definite decision at the right time.

It remains for us all to see to it that the confrontation with our economic problems is successful. Each of us can do something to save our country from the crisis it is now facing. When rationalizing our consumption we are helping to reduce import burdens, and are stanching, even if only in some small measure, the outflow of hard currency.

We all know that we have obligations and debts outstanding, yet at the same time we observe some people going abroad to spend thousands of dollars of enjoying a summer vacation or buying the latest fashions from name boutiques. Were such people to desist from going abroad at the present time, and were they to spend their vacations in Egypt, they would be doing a great deal for our country. They would, in the first placed, be saving hard currency which could be spent to meet production requirements and, in the second, would help revitalize domestic tourism and create new employment opportunities for the young.

There are so many examples of how each one of us can contribute to save ourselves from our economic crisis. A factory hand saving time is helping to lay down solid economic foundations. When we cut down wastage of raw materials used in production, we re contributing to the stability of financial markets, saving dollars that could be wasted and reducing the costs of production. Our refusal to deal with money changers is the optimal guarantee for the stability of the new decrees.

What we are now called upon to do is to contribute our thoughts and actions to the process of overcoming the economic crisis and realizing our hopes for a better future for our children. I believe that there is no one Egyptian who would withhold any effort or thought to see this hope materialize.

13291/6662

CSO: 4504/251

GUSH EMUNIM LEADERS CRITICIZED

Tel Aviv KOTERET RASHIT in Hebrew No 232, 13 May 87 pp 10, 53

[Interview with Yo'el Ben-Nun by Nahum Barne'a, date and place not specified]

[Text] Rabbi Yo'el Ben-Nun, one of the founders of Gush Emunim, threatened a sit-down strike this week if the secretary general of the Gush, Daniela Weiss, and her patron, Rabbi Levinger, were not ousted. In an interview with KOTERET RASHIT, he harshly attacked the pair. "We have reached the depths of self-ruin," he said. "The movement is in a pathological state."

The bottles that the secretary general of Gush Emunim, Daniela Weiss, threw on cars in Kalkilia broke the back of Rabbi Yo'el Ben-Nun, a tough man, and not just his. Ben-Nun decided to break a long silence and begin a sit-down strike against the current Gush leadership, under the control of Rabbi Levinger. Even before the announcement of the strike was published (in the daily paper DAVAR), seven veteran Gush Emunim members had met, among them Hanan Porat, Rabbi Forman, and Ben-Nun himself, and decided to bring about the ouster of the current leadership this week. The candidate slated to take over for Daniela Weiss is Uri Ari'el. If this occurs, even the political line will soften.

[Question] What caused you to threaten a sit-down strike?

[Answer] We came to the end of our rope. There was a gradual process of deviation and deterioration over the last 5 years, since the struggle over security and Kever Yosef, of which the underground is a part. This process came to a head in the security battles in Kalkilia, the demonstrations and security guards, the bottles. As a result, during the Passover vacation, there were almost no tourists in Judea and Samaria, while in the Galilee, even in places where rockets had fallen, thousands visited. Now, there is the added position of the Gush Emunim secretariat on the issue of the international council. For 5 years we have been burying ourselves in a process of isolationist security.

[Question] Doesn't Gush Emunim, in your opinion, have to deal with security?

[Answer] In Jerusalem, do you, as a resident, deal with security? No neighborhood in Jerusalem organizes a militia after an attack occurs. In the Rabin era, there has been a greater emphasis on security in Judea and Samaria

than before. In any event, when there is an incident, they interpret it as a political step on the Rabin's part as if Rabin allows attacks because of his political views. It is some kind of crazy nonsense that was born in the mind of (Rabbi) Levinger, who managed to drag the entire settlement down with him. His logic is as follows: If you come from west of Kalkilia, you are with the people of Israel; once you cross the green line, security is another question. The result is that while people drive on the coastal road despite the incidents that have occurred there and they ride on bus No 18 in Jerusalem although there have been attacks on that route, they do not drive to the West Bank. Objectively, there is no justification for this. In Jerusalem there are more incidents than there have been on the other side of the green line. It is a psychosis.

Levinger is a very strong man, who has won all his battles. Even this struggle that he is waging against the Land of Israel Levinger won. The meaning of his struggle was a retreat from every positive Gush Emunim value. Perhaps marginally he did things that were fraught with controversy, but the essence of his deed was positive. On the question of settlement, on the settlement ethos, there was no dispute in Israel. There was a dispute on where to settle. When Gush Emunim began to talk about security, the whole deed became negative. And then you add another value: the position against the international council, and all the violent and difficult deeds. People behave as if they are already in a bunker in Yamit. This is a moral deviation which causes dehumanization, as David Grosman describes so nicely in "The Yellow Time." It is clear that this is what the PLO wanted to happen. Although the PLO did not plan Rabbi Levinger, he was caught up in the PLO provocation to the point of no return. A week ago, Uri Elitzur (N.B.: one of the extremists in the Gush) said in a television interview: "People are killed every day in Judea and Samaria." Every day? That is psychosis. And then everyone who counts himself among the 40 percent who sway back and forth with public opinion says: If the situation is so terrible there, then Peres is right. In other words, Peace Now should pay Daniela Weiss a salary. And the PLO should pay Elitzur for his statement. We have reached the depths of self-ruin, a movement in a pathological state.

[Question] How do you explain Daniela Weiss' behavior on the night of the bottles in Kalkilia?

[Answer] A woman survivor of the Holocaust called me and said that it reminds her of the night of terror. I won't get caught up with this terminology, but the question is being asked about how Daniela Weiss and others could show no feelings in this regard. After the night of the bottles, I reached a radical decision, that if something were not done, it would be a lost cause. I went to settle in Judea and Samaria not because I believe in Judea, Samaria, and Gaza, but because I believe in the Land of Israel. I saw settling there as an option for all the people of Israel. With this kind of belief, one can, in my opinion, win broad public support, but not with Levinger's line.

On Saturday, I visited my son in the Or Etzion settlement. I sat the whole day thinking. At the height of exasperation, I decided in a flash to get up and stop them, using the same method that they used on others--to stand up

publicly against them, with the great feeling that they reveal to the media, and take the dispute outside of our circle. I decided to start a sit-down strike opposite the Gush Emunim offices in Jerusalem. After the fact, it became clear that this accelerated a process. Hanan Porat, whom Daniela Weiss had openly scorned, in front of television cameras, could add strength to the effort. Under my threat of a strike, on the night between Sunday and Monday, seven veteran Gush members arrived for a meeting at the Gush Emunim offices. There were Emuna members there--Uri Ari'el and Uri Elitzur, Pinhas Wallerstein and Israel Har'el, Rabbi Menahem Forman, Hanan Porat, and myself--a solid group despite our differences and despite the fact that one (Elitzur) was close to Levinger. Somehow, at 3:00 in the morning, we reached an agreement.

[Question] What was the decision?

[Answer] The decision was to call a meeting of the larger Gush Emunim secretariat together with the secretariat of Emuna, 50 people, on Thursday of this week, the last date that Hanan Porat had suggested for a meeting of the secretariat, but which Daniela Weiss had refused. We decided to vote on new foundations and a new secretary general and to begin a process of democratization and accountability. Uri Ari'el will lead this process, and Hanan Porat and I will become active again. We are talking about a new political line that states: Our situation with Jordan is one of de-facto peace. There are problems with terrorism and refugees which can be dealt with without retreat and without annexation. The agreement that Peres will bring home from the international council, if he goes there, will be worse than the current situation.

[Question] Does this mean that you are also against the council?

[Answer] Yes, but not because it is a "tragedy for the State of Israel." Rather, it is because the situation today is reasonable. This is the stand we want to explain to the public, and to the Likud. It does not correspond with Daniela's position.

[Question] Is Gush Emunim's problem Daniela Weiss?

[Answer] Daniela is not the problem, Levinger is the problem. Do not sacrifice a bishop or a rook while the king is hiding. We have to change the entire leadership.

[Question] In your opinion, did the problem come from world view or temperament?

[Answer] Temperament and psychological makeup. Theoretically, Levinger would put his name to anything I say, but the theory is a theory, and man lives in reality. The case of Daniela Weiss is very sad. She is a nice woman who had a chance to succeed, but she failed, and now she is trying to save herself. She renounced her own views in the face of Levinger. Now, against the background of this week's events, it is likely that if Peace Now thinks that Levinger and Daniela Weiss will continue to do their work, they are wrong. Without them, the dispute will be much more intellectual. The distance between Israelis is not as large as they thought.

[Question] Your situation now is like the Liberal Party. You called for a meeting of the secretariat on Thursday, they have called one for Monday. Is there a split anticipated within Gush?

[Answer] They called the meeting after a gradual decline. Now the dispute is whether to conduct the elections according to the new group of seven or according to the instructions of the old secretariat. The problem is that Levinger is not yet prepared for any personal decision.

[Question] How will it turn out?

[Answer] It is not clear, but the reign of the militant line has fallen, that is clear.

9811/9716

CSO: 4423/31

STATISTICS ON CIRCASSIANS IN IDF REPORTED

Tel Aviv BAMAHAANE in Hebrew No 30, 23 Apr 87 p 10

[Text] In the IDF, 80 Circassian soldiers, representing 3 percent of the Circassian population in Israel, are serving. Among them, 51 are conscripted soldiers, 22 are NCO's in career army service, and another 6 are career officers: 2 lieutenants, 2 captains, and 2 majors. The Circassians are from the Caucasus and are zealous Moslems. They have, it has been said, a long tradition of service to the state. The law of conscription applies to them, according to an edict issued by Ben-Gurion in 1957, one year after it was imposed on the Druze. The Circassian soldiers joined the infantry, the armored corps, the artillery corps, the ordnance corps, and the adjutancy, and over time were also absorbed into other branches. After their release, many volunteer for the Israeli police, the border guard, and the prison authority. The head of the minorities branch of the IDF, General L., says of the Circassians: "They are quiet people by nature, thoughtful and order loving. They live in a very closed society, so unless you live with them, it is very hard to know what they think and feel. They exhibit an exemplary solidarity to Zion. All in all, there is no problem with them."

The Nafsu family, a very respected family in Circassian circles, also has representation in the IDF. One of the children is a major (reserves) who served in his last function (during the war with Lebanon) as an aide to an adjutancy officer in a regular armored unit; another is today a sergeant major, serving as an ordnance officer in an infantry unit; two others are NCO's in ordnance units; and there are more.

9811/9716

CSO: 4423/31

GOVERNMENT BLAMED FOR DECLINE IN SCIENCES, TECHNOLOGIES

Tel Aviv TEKHNOLIGIYOT in Hebrew No 41-42, Mar-Apr 87 pp 19, 22

[Article: "Retreat from Science and Technology at National Level"]

[Text] The heads of the National Academy of Sciences, led by the academy's president, Professor Yehoshu'a Yortner, are claiming that the scientific research network in Israel is in a deep crisis as a result of the reduced resources placed by the state at the disposal of the university and the basic research network.

The academy heads warn that this process will have a negative impact on national missions that cannot be implemented without the long-term fundamental work of the scientific research community. "We are already witness now to serious damage at the national level, expressed in a retreat from science and technology emanating from the shortage of advanced research means and the loss of a generation of researchers and young scholars," say the academy heads. "All this will effect our ability to maintain a high intellectual, technological, and industrial level in years to come. One of the important tests of the State of Israel is the placement of scientific research activities in the position it deserves in terms of national priorities."

According to the heads of the academy, the fundamental research network represents the foundation for the technological, economic, social, and military development of Israel. Most of the industrial and technological developments in Israel in many fields such as computers, chemical technology, nuclear technology, electronics, and aeronautical engineering have emanated from activity which began 10 or 20 years ago within the framework of the basic scientific research network.

The academy stresses that the advanced education of scientific-technological manpower must be based on prior research. Ninety-three percent of workers in the defense network's research community received their training in institutions of higher education in Israel. The level of scientific research constituted the basis of their education and achievements. Entire research groups in important areas of defense research would not have been able to function without modern research training in institutions of higher education. Today the level of training is dropping due to the reduction of research resources at the universities.

The university claims that the technological activity of the 21st century must be concretized even now in our research network. The current situation presents a real danger to the existence and development of the research network in the future.

Continued Cutbacks in Basic Research

Since the beginning of the 1970's, there has been a reduction in the scope of support and basic research activities in Israel, focused mainly in the higher education network. A significant drop in the scope of basic research activity occurred, as compared with applied research, and there was a growing dependence on outside sources with applied applications for scientific research funds as well as on research funds from abroad. Similarly, the scope of government support to the universities was reduced.

The universities' portion of civilian R & D support dropped from 38 percent in 1966-67 to 16 percent in 1982-83. The portion of public spending by institutions of higher education for R & D dropped 25 percent by each contributing body in 1978-79 to 17.2 percent in 1984-85. There was also a reduction in government support of the higher education network from \$320 million in 1982 to \$250 million in 1986.

The scope of the overall budget for research activities at the universities in 1985-86 was \$70 million, of which \$10 million was from the internal Friends of the University budget and \$60 million from outside sources. The research budget from the above sources reached \$26 million.

The budget for basic research from all sources abroad, from binational funds and from international agreements, came to approximately \$10 million in 1985-86. Despite the benefit of conducting research with full or partial funding from foreign sources, there are real dangers which are expressed in the significant influence of the foreign funder on the direction of research, the "knowledge drain" abroad, and the "disguised" emigration of scientists.

These changes affected scientific research in a most serious way. Increased salaries in the community, amounting to as much as 85 percent of the budget, with a supplement for essential maintenance expenditures, brought about an erosion of direct aid to research from the budgets of institutions of higher education and a significant reduction in the relative percentage of purchases of equipment and materials, reductions in support staff, such as technicians and laboratory people, and reductions in the academic staff. Inherent in these changes is the danger that institutions of higher education will become centers for teaching at the bachelor's degree level.

The significance of a weakening in the foundation of research is most serious. The heads of the National Academy of Sciences say that "we are witnessing a distortion of research directions, a loss of leadership in qualitative research fields, blockage of the development of modern research directions, a loss of independence in research projects as a result of dependence on outside sources for knowledge and support, the drain of knowledge from Israel, and the negative impact on immigration and on possibility of re-absorbing returning Israelis.

The decreased scope of support for basic research has caused some neglect in the level of coordination between the research network in Israel and the network in developed countries. Based on the situation today, Israel will lack representation in major areas of research in about 5 years.

According to the heads of the academy, the computer field, in which the State of Israel had, at the end of the 1950's, been a research pioneer, has become an area in which "we cover some fields nicely, but are weakening in key areas such as systems analysis, artificial intelligence, and computerized production."

The academy warns that a "disguised" reduction in scientists exists, whereby scientists are conducting their work in western European countries or in the United States and are therefore contributing to the establishment of a scientific foundation abroad and not in the State of Israel. Some of the research has been patented by American industrial firms.

Funding Solutions

The National Academy of Sciences claims that in the western nations there are two main channels for federal support of scientific research in higher education networks. One channel relies on direct support from university budgets to conduct current research, and the other channel is based on the allocation of research funds from national sources based on quality, excellence, and state needs. In Israel, only the first type of support in the university network exists and there is no second channel for support of the scientific research community. The academy has pointed out that in England there are research councils which allocate significant additional funds to research activities, amounting to one-third of the regular university budget. In the United States, the National Endowment for the Sciences and other foundations support basic research with more than \$7 billion. The academy emphasizes that there is a crucial need for the establishment of a second channel for support of basic research activities in the State of Israel.

The academy is calling for a larger framework of support for scientific research in general and basic research in particular by significantly increasing the funds for basic research operated by the academy. The academy's activity will be based on the following principles:

- Fostering excellence in research on a competitive basis and not on an institutional basis. Goal-oriented support of research is fundamentally different than support of institutions of higher education.
- Identifying research fields in which there are likely to be breakthroughs over the next 10-15 years.
- Identifying research areas in which national efforts should be focused.
- Identifying scientific fields in which Israel has a relative advantage and which are worthy of development and encouragement.

"It would be beneficial if the support network for research from national sources were non-partisan, as is the case in domestic countries," say the heads of the academy. "In no western nation does the Ministry of Science work directly with the national research support network."

In their opinion, there is no need to adopt the schematic approach of creating one large fund as the only approach. Several approaches should be considered, such as budgeting funds according to discipline, field, or wider area in the context of one large fund.

According to the heads of the academy, the annual budget for the support of basic research from national sources should be \$20 million a year. This estimate is minimal and relies on estimates of direct investments in research from national sources in developed western countries such as England or the United States.

For the stability and continuity of research activities, there should also be discussion of support for research in the framework of a multiyear plan, where the goal for the next 5 years is \$20 million a year. The implementation of a support network for research will require annual allocations that will increase incrementally. The budgets that will be required are approximately \$6 million for the first year of activity, approximately \$13 million for the second, and approximately \$20 million for the third year of activity and for following years.

9811/9716
CS0: 4423/31

CRISIS IN ELECTRONICS INDUSTRIES EXPLAINED

Tel Aviv TEKHNOLGIYOT in Hebrew No 41-42, Mar-Apr 87 p 17

[Article: "Electronics Industries: Picture of a Situation"]

[Text] In 1985, sales in the electronics sector in Israel came to \$1,908 billion, versus \$1,785 billion in 1984. The 1986 figures have not yet been finalized but it appears that sales in this year reached \$1,900 billion. Based on orders received by electronics enterprises, sales may drop in 1987.

In the last year and a half, the labor force has been reduced by approximately 4,000 workers, salary cutbacks have been implemented (especially at the highest echelons), and cooperation among firms has resulted in an effort to reduce the level of competition.

The electronics industries union has cited a number of reasons for the crisis in this sector:

- Reduced Defense Ministry orders: local orders dropped 70 percent. As for offset purchases, the future of this installation is in doubt. It should be noted that sales to the IDF were for many years considered a relative advantage of the Israeli electronics industry, both from a monetary and a volume perspective.
- The Defense Ministry's R & D budget was reduced to almost nil.
- The export incentive was reduced 9 percent because until the beginning of 1985, the electronics sector was subsidized insofar as exports were concerned at a rate relatively higher than other sectors.
- The high interest rate in Israel (25 percent in dollars versus 7-8 percent abroad) is a considerable burden on this sector.
- The freezing of R & D expenditures (the Elsinat law) has made it difficult for Israeli electronics enterprises to acquire funds for purposes of R & D.

At the last annual meeting of the board of the electronics industries union, Chairman of the Board Yig'al Ne'eman (general manager of Tadiran) said: "As a result of blows that have befallen us, the electronics industries'

ability to compete in exports fell approximately 25 percent. The export arrangements that until a year and a half ago meant a profit of 10 percent translates today into losses of approximately 20 percent." This was said before the last devaluation, which improved the situation somewhat.

The crisis in this sector has impacted on the salaries of electronics engineers. In general, the salaries of all workers have been frozen. In addition, there are four main areas in which salaries in the electronics industries have been cut:

- Non-payment of the Barfeld agreement (5-6 percent to industry workers), although it was paid in the public sector.
- Elimination of personal promotions and the freezing of work agreements.
- Cutbacks in training and in benefits paid to employees.

Recently, Yig'al Ne'eman noted that "as a result of the lack of profits in this sector, it is not within our ability to pay salary increases, as determined between the government and Histadrut. A set of agreements between the government and Histadrut brought about unusual salary increases in the range of approximately 20 percent beyond the cost of living increase. It is not within our ability to meet this and as a result we are faced with a significant decline in labor relations between our workers and Histadrut, which has a negative effect on the workers' morale and on their motivation."

The savings has not just been in manpower and salaries. Development activities were cut by approximately 20-30 percent. New investments were reduced by approximately 80 percent. Similarly, equipment upgrades were cut back and there is something of a reduction in marketing efforts as well.

The depressed situation of the electronics industry was the subject of discussions between the union leadership and the government, which, at least outwardly, showed sympathy for the claims of the electronics enterprises.

An operative measure was taken in December 1986 when the Knesset finance committee approved an allocation of 45 million shekels to aid electronics enterprises engulfed in difficulties. The committee decided that it would give preference to enterprises that had been hurt by the reduction of orders from the defense network and enterprises where most of the exports were destined for the dollar bloc.

Electronics industrialists say that there are three ways to help save the electronics industry from this crisis: (1) reduced tax rates, which would be at the expense of reduced gross salaries; (2) allow the electronics industries to seek funds worldwide at international prices; and (3) the government should participate in R & D efforts as do other industrial countries in Western Europe.

There is hope that in the end the appropriate steps will be taken, with the cooperation of the government and industrialists, and that the electronics enterprises will return to high profitability as in the good years.

ISRAEL

NEAR EAST

BRIEFS

SCIENTIFIC EXCHANGE WITH CHINA--Israeli scientists may participate in international conferences in China. This decision emerged from Professor Yosef Zinger's visit to China. Professor Zinger, former president of Tekhnion, who presides today as chairman of the IAI management council, conducted an 11-day visit to China in the context of his role as president of the International Council for Aeronautical Sciences. Professor Zinger noted that the visit emanated from professional ties with Chinese scientists. He emphasized that he was invited prior to his appointment to the post he now holds in the IAI. Professor Zinger announced that it became clear in the course of his conversations that Chinese professors were interested in taking part in an exchange of scientists from Israeli institutions of higher education. Despite this, it appears that the plan will not be implemented in the near future. Professor Zinger's meetings in China were mainly in the leading technological institution in the country. Beijing [Institute], a kind of Tekhnion which emphasizes aeronautical industries and science-rich industries, has approximately 7,000 students, of which approximately 1,000 are studying for graduate degrees and approximately 50 for doctorates. In the second institution, Northwestern Polytechnic University in Xian, the number of students is similar. These are the top two technical institutions in China. A third operates in Nanjing. At Northwestern, too, the emphasis is on science-rich industries. [Text] [Tel Aviv TEKHNIOLOGIYOT in Hebrew No 41-42, Mar-Apr p 40]

9811/9716

CSO: 4423/31

SITUATION IN SOUTH CALLED RESULT OF AMERICAN MANIPULATION

Paris AL MUSTAQBAL in Arabic 2 May 87 p 18

[Text] Two months ago, when the Syrian forces entered West Beirut, the aim was not just to stop the fierce battles ranging between erstwhile allies in the streets and alleys of this important sector of West Beirut; nor was the aim just to free West Beirut from the grip of armed militias. Rather, these preliminary yet essential activities which the Syrian forces carried out very expeditiously were only an introduction to the implementation of a comprehensive plan to end fighting among the Lebanese, and achieve national agreement based on a plan for political settlement and a new framework for the Lebanese regime--one which provides for power-sharing by all Lebanese factions. This will lead in a future stage to closing the file on the Lebanese crisis, as Syrian President Hafiz al-Asad has announced.

In spite of dialogue sessions, discussions about a possible political settlement, and the working paper presented by Lebanese President Amin al-Jumayyil, the series of negotiations conducted to date have stopped short of certain basic points. This is not due merely to differences which hindered the course of negotiating the President's functions and the premises which must be defined to give all Lebanese a share in government: there are minimal requirements and certain rights which remain obscure and which underscore the complex nature of the Lebanese crisis as well as the external entanglements frustrating solutions.

For instance, the possibility of reaching a political solution was small in the shadow of an on-going camp war, in Beirut and its southern suburb, between the Palestinian organizations and the Amal movement, and likewise in the shadow of the possible return of Palestinian armed elements and their deployment within the camps in Beirut and the south. In anticipation of such return, Yasir 'Arafat made extensive preparations to achieve either or both of two goals:

--To fight a battle to pave the way for the political and military return of the Palestine Liberation Organization and its armed units to Beirut.

--As a result, to throw into confusion the politico-military role of the Syrians in Lebanon, and frustrate its attempt to achieve its goals.

The entry of Syrian forces into the Beirut camps without bloodshed was a political victory for Damascus. It was natural for the Syrian military forces to head south, reaching the al-Awwali River. Government and political circles could explain the motive of the Syrian southward advance only in terms of achieving two important goals: First, to make the coastal road between Beirut and Sayda secure for all factions, and remove the threat of closing it at any time by one faction or another, as happened in the past. Second, to facilitate exertion of political and perhaps military pressure to stop the camps war in the south, especially in and around 'Ayn al-Hilwah, between the Palestinians on the one hand and the Amal movement and its allies on the other. This would force the Palestinian fighters to withdraw from Maghdushah and its environs, retreating to the camps. The purpose of this latter objective is not just to ensure the return of refugees to Maghdushah and the villages east of Sayda, but also to put an end to the shedding of Palestinian and Lebanese blood, and allow a re-deployment of an Arab national resistance against continuation of the Israeli occupation.

Although major importance was attached to the meeting of the Palestine National Council, the rapid developments in south Lebanon stole the limelight. After the Israeli military reactions, a large group of foreign reporters and news correspondents went there amidst claims that Israel might launch a limited invasion operation, perhaps reaching the al-Awwali River on the northern border of Sayda. High-level diplomatic contacts, concerning the deteriorating situation, began between Lebanon, the Soviet Union, and a number of European countries. The greater part of these contacts was handled by President Amin al-Jumayyil, who received the Soviet Ambassador in Beirut and entrusted him with a letter to Soviet leader Mikhail Gorbachev dealing with the current situation in Lebanon. This letter took on special importance because it was sent at a time when President Hafiz al-Asad was still conducting his talks in Moscow with the Soviet leaders. This led to the belief that the Lebanese situation, the Syrian role in solving the Lebanese problem, and Moscow's viewpoint received considerable attention during these talks.

It was expected that discussions would resume in Damascus after the Easter vacation. Indications pointed to dangerous developments in the south which could obstruct the path to a solution; and questions persisted about the reasons for inciting tension along the confrontation line in Beirut, and about the relationship between such tension and the southern developments which have already begun to cast their shadow on the Arab and the international arenas.

It is difficult--indeed, impossible--to answer many of the questions which are being asked in the Lebanese political arena and which probe for the reasons underlying explosion in the south, as well as the tension which once again menaces both halves of the capital; it is nevertheless necessary to point once more to the recent differences in certain American, Lebanese and Syrian viewpoints. Briefly, Washington no longer perceives--as it did in the past--[similar] roles for Syria and Israel in Lebanon: the cancellation of the May 17 agreement as well as the subsequent security and political developments convinced Washington that the role of Syria in Lebanon cannot be equated with that of Israel. Syria, being an Arab country, has a specific and active role in Lebanon, which is also an Arab country--a fact recognized by the various

Lebanese factions. Israel is an enemy of the two states; the attempt to impose it on the Lebanese has failed, for it constitutes an attempt to further complicate the Lebanese crisis.

Some Lebanese politicians who follow the internal and external dimensions of the Lebanese situation recognize two possibilities: either the United States, as it is wont to do in the case of Lebanon, has reneged on its commitments, for reasons relating to Israel or the Middle East; or else the escalation which has erupted in the south and the tension which has spread over the confrontation lines in Beirut and its suburbs are a forerunner to a limited security explosion triggered by positive elements which will usher in true solutions to the Lebanese crisis.

13340/8309

CSO: 4404/347

BRIEFS

SOVIET ASSISTANCE FOR DRUZE--Walid Junblatt was surprised at the amount of political, military and economic aid which Moscow has expressed a willingness to provide to his fighters and to the Druze in general. Likewise, Makram Najib 'Alam-al-Din, one of the economic advisors who accompanied Junblatt on this trip, was surprised at the type of relationship between Junblatt and the leaders of the Kremlin. It was natural that the talks should deal with the Siblin project, the port, and various other topics. The Soviets carefully studied all of these projects and agreed in principle to give them material support to facilitate their continuous operation. Regarding military support and the resumption of the heavy weapons training program, the Soviets reasserted their commitment to this decision and agreed to receive more delegations wishing to promote in this program. They also promised to send huge amounts of light and heavy weapons through al-Jiyyah port. Moreover, the Soviets conveyed to Walid Junblatt American Secretary of State George Shultz's rejection of an international conference. They also told him that the United States did not accept linking the Middle East crisis to the reduction of arms reduction in Europe. They expressed to him their continuing support for the struggle of the Palestinian people. [Text] [Paris AL-MUSTAQBAL in Arabic 2 May 87 p 14] 13340/8309

CSO: 4404/347

PRIVATE SECTOR PLAYS MAJOR ROLE IN COUNTRY'S ECONOMY

Kabul HEYWAD in Dari 11 Jun 87 p 2

[Text] The role and activities of the private sector in the social and economic development of our nation, based on beneficial mutual relations between the government and the private entrepreneurs, continues as before. It is for this reason that the participation of the private sector in the process of revolutionary development of our society is noteworthy while at the same time it is regarded as a significant social and economic force. The realization of our national policy and creation of an atmosphere of peace and tranquility throughout our country provides extensive possibilities for the activities of the private entrepreneurs.

The party and the government are constantly striving to maintain a healthy atmosphere for the private sector in our country. For this reason, particular attention has been paid to the interests and enhancement of the role of the private sector, and that of the commerce and industrial chambers. Moreover, in order to further help the manufacturing industries of the private sector, other beneficial technical and material assistance have been accorded to the sector in question. The credit and financial policies of the government, customs tariffs and other similar duty-bound documents within the economic arena have been enacted with a view to the interests of the private sector. Likewise, more than ever before the participation of the private entrepreneurs, within the composition of the supreme organs of the government and the National Front of the DRA, has been duly considered.

Such noteworthy and salutary decisions have helped to consolidate the relations between the government and the private sector extensively; thus it has been possible to create a wider arena of activity for the private sector. In this instance, the National Plastic Plant which has 60 employees and which has always enjoyed government's assistance, has been able, during the first nine months of 1365 [21 March 1986 - 20 March 1987] to produce 384,378 pairs of footwear and put the same at the disposal of our countrymen.

This plant which went into operation in 1352 [21 March 1973 - 20 March 1974] with an initial capital of 6.4 million afghanis, now has a working capital of 57.4 million afghanis. The National Plastic Plant which manufactures various types of plastic footwear has been able to go beyond the projected production indices for 1365.

This plant is also a member of the Private Industries Society of Afghanistan and in accordance with the market demand can increase its production. The director of the said plant as regards the decisions of the first comprehensive conference of the private entrepreneurs stated:

The national comprehensive conference of the entrepreneurs which was held for the first time in our country was a proper indication of the continual support and attention of our popular government and the party for the private sector. This also was an indication, on the part of the government, to facilitate an active participation of the private sector in the growth of our national economy.

12719

CSO: 4665/18

PRESIDENT, PARTY REACT TO INDIAN COMMUNAL RIOTS

Ershad 1 Jun Speeches

Dhaka THE BANGLADESH OBSERVER in English 2 Jun 87 pp 1, 8

[Excerpts]

MAHADEVPUR (Naogaon), June 1:— President Hussain Muhammed Ershad today categorically made it clear that his government would not allow any one to disturb communal peace and oppress the members of the minority community, reports BSS.

Addressing two huge public meetings at Mahadevpur and Badalgachi upazilas under Naogaon district the President stated the above and also said the present Government had been giving special attention to the development of those areas which were neglected in the past.

He regretted that statements made by an opposition leader sitting in India had lowered the prestige and honour of the country. The people of this country love their motherland and they would not allow anyone to damage the dignity and honour of their beloved country, he asserted.

President Ershad said this leader claimed that there was no democracy in the country and at the same time making irresponsible statements sitting in a foreign land. He said the nation needed constructive politics and not the politics of tall talks, hijacking and killings.

The President referred to the programmes taken up by his government for establishing the country's womenfolk in their rightful place in the society. In this context, he mentioned the laws enacted to preserve the rights of women.

President Ershad said the people of Bangladesh, irrespective of their religious faiths, have been living in peace and complete harmony. He said Bangladesh is a model of communal harmony in the world where Muslims, Hindus, Christians, Buddhists and other religious communities are contributing unitedly to the development of the country.

The meeting were also addressed by State Minister for Industries Mesbahuddin Ahmed, State Minister for Food Sradar Amjad Hossain, Humayun Kabir Chowdhury, MP, Manzur Manury Quadri, MP, Chairman of Mahadevpur Upazila Parishad Fatik Chandra Bhattacharya, Chairman of Badalgachi Upazila Parishad M. Mustafizur Rahman and the widow of late Biseshawar Das, the Chairman of Mahadevpur Upazila Parishad, Mrs. Arati Rani Das.

Earlier on arrival the President was given rousing receptions at both the places by the people from all walks of life. They raised welcome slogans and showered flower petals on him.

Jatiya Reaction

Dhaka THE BANGLADESH OBSERVER in English 2 Jun 87 pp 1, 8

[Excerpt]

The ruling Jatiya Party held a rally at its central office on Monday to protest the killing of Muslims in India.

The rally was addressed by Prime Minister Mizanur Rahman Chowdhury, Party Secretary General Major General (Retd) Mahmudul Hasan, and Joint Secretary Col (Retd) Zafar Imam.

Prime Minister Mizanur Rahman Chowdhury who is the Vice-Chairman of the party told the rally that Bangladesh is a shining example of communal harmony, which is acknowledged in the world over. He said people of Bangladesh hate communalism. The Prime Minister hoped the friendly people of India and the government would take adequate steps to combat communal forces in India and prevent recurrence of communal riots.

Mr. Chowdhury in an oblique reference to Sheikh Hasina said that her statement on so-called communal frictions in Bangladesh was irresponsible and against the country's interest.

He called upon the people to be cautious about their role.

It may be recalled that President H.M. Ershad while inaugurating the city office of Jatiya party has castigated Sheikh Hasina for her irresponsible statement. He had said that the neighbouring country would not instal her in power.

The Jatiya Party Secretary General echoing the feeling of Prime Minister Mizanur Rahman Chowdhury said that Sheikh Hasina by her statement on Indian soil had tarnished the image of Bangladesh.

At the end of the rally a 12 member Jatiya Party team headed by Air Vice-Marshal (Retd) A.K.M. Aminul Islam went to the Indian High Commission and met Mr. I.S. Chadda. They handed over a memorandum to the Indian High Commissioner.

The memorandum contained party's anger and anguish at the killing of Muslims in communal riots in India. The memorandum said the communal riots in India made a mockery of secularism in India. The ruling party memorandum said that Bangladesh despite being a predominately Muslim country provides equal opportunity to people of all faiths.

The memorandum said Islam teaches tolerance for other religions. It called upon the Government of India to take necessary steps to prevent recurrence of communal riots in India.

Memorandum

BSS adds:— Members of the Presidium of Jatiya Party handed over a memorandum to the Indian High Commissioner in Dhaka on Monday strongly condemning the communal riots at different places in India and calling for putting an end to such violences forthwith.

A 12 member delegation led by Air Vice-Marshal (Retd) Aminul Islam, MP, Member, Presidium of Jatiya Party, handed over the memorandum to the Indian High Commissioner, Mr. I.S. Chadda.

Expressing its deep concern at the widespread communal disturbances in India, the Jatiya Party noted with deep anguish and regret that communal riots, had assumed an alarming dimension in Delhi.

Meerut, Salimpur, Sekandrabad and other places in India, the innocent Muslims of India have been passing their days under a most trying situation in the wake of the riots, the memorandum said.

It noted that a large number of Muslims were falling victims to communal riots in India everyday, moreover, oppression and repression were being perpetrated on the Muslims who have been passing their days in great uncertainty, it added.

The memorandum pointed out that at a time when people in the civilised world were building communal amity, communal bloodshed in India would turn the avowed policy of secularism of Indian Government into a mere farce.

The memorandum stated in clear terms that people of Bangladesh believed in communal harmony. Muslims constitute 86 per cent of the total population in Bangladesh, and their love for the people of other religions, co-operation and peaceful condition for co-existence have been lauded by the world community, it added.

It further said that respect for other religions and communities and liberalism are the ideal teachings of Islam. "We are therefore, shocked

and concerned at the riots taking place at different regions of India including Meerut", the memorandum said.

The Jatiya Party expressed the hope that the Indian Government would take expeditious steps to stop communal riots, ensure security to the life and property of the Muslims, compensate the victims and build amity among the people of different faiths.

Drawing the attention of the Indian High Commissioner, the Memorandum said never in the history of Bangladesh has any communal riot, taken place. The statements of the leaders of minority communities amply prove how deeply communal harmony prevails in our country. Despite all these things false allegation of communal tension has been raised by a particular political organisation to serve its "narrow political end". It is regrettable that Indian newspapers and Government controlled Radio and Television have been giving publicity of that allegation. The leader of that particular party has been issuing false and defamatory statements standing on

the soil of India, the memorandum said drawing the attention of the Indian High Commissioner.

It said, "people of Bangladesh possess an attitude of deep goodwill toward neighbourly country India and desire solid friendship with India, we expect that your Government would take appropriate measures to prevent your media from such propaganda that is not favourable for the friendship between the two countries.

The memorandum wished success of the Indian Government in ending communal bloodshed once for all.

Other members of the delegation were: Begum Momota Wahab, MP, and President of Mohila Jatiya Party, Mr. Jahangir Mohammad Adel, MP. Mr. Tajul Islam, MP. and Office Secretary, Mr. Abu Hossain Babla, MP. Mr. Saifur Rahman, General Secretary Jatiya Jubo Sanghati, Mr. Ali Imam, General Secretary, Jatiya Sechchasevok Party, Mr. M.H. Khan Manju, Youth Secretary, Mr. Anjur Rahman Jinnah, Mr. Ajmal Huda Mithu, Mr. Sajjad Hossain and Mr. Ismaili Hossain Bengal.

/13046

CSO: 4600/1786

PARLIAMENT CONDEMNS KILLINGS ON INDIAN BORDER

Dhaka THE BANGLADESH OBSERVER in English 17 Jun 87 pp 1, 8

[Text]

The Jatiya Sangsad unanimously condemned the killing of 11 Bangladeshi citizens in Purnan Rangar village in Chittagong on June 1 last in a cowardly attack by Indian Border Security Forces (BSF). The whole House was one in deciding to send a strong protest note to Delhi on this inhuman killing of civilians in Bangladesh and pledged to defend the country's independence and sovereignty unitedly.

Prime Minister Mizanur Rahman Chowdhury thanked the members of the Opposition and the Treasury Bench for creating another history of national consensus by the House in reaching unanimity to condemn the violation of country's border by Indian BSF.

The Opposition, however, condemned the Government for failing to protect the lives and properties of the citizens from the attack of the Indian Security Forces. They demanded more vigilance on the border and urged the Government not to use the armed forces for any other purpose.

The Deputy Prime Minister in-charge of Home Ministry Dr. M.A. Matin dismissed the Opposition's allegation that the Government had failed to protect the lives and properties of the people in Chittagong. He claimed that the Bangladesh Rifles (BDR) opened fire on the BSF and they fled away. He said BDR fired 56 rounds of fire.

Mr. Suranjit Sen Gupta, Mr. Fatael Ahmed, Mr. Nurul Alam, Mr. Mohammed Nasim, Chowdhury Harunur Rashid, Prof. Mujibur Rahman, Mr. Prashun Kanti Roy and Khanadaker Mohammed Khurram from opposition and Mr. A.K.M. Alimullah, Mr. Kaikubad

and Mrs. Hasna Maudud participated in the debate. The Treasury Bench members including Deputy Prime Minister Kazi Zafar Ahmed bitterly criticised Sheikh Hasina for maintaining silence over the attack on our citizen by BSF while she was in India. Kazi Zafar Ahmed said that Sheikh Hasina tried to discover communal riot in Bangladesh in statement on Indian soil just to divert the attention from the killing of muslims in India. She did not condemn that. At this stage Sheikh Hasina wanted that her full statement should be allowed to be printed in our papers and then to criticise. She criticised the censorship on her statement.

Mr. Zafar Imam alleged that Sheikh Hasina was in the former British summer capital Naunital to celebrate Eid while the ten crore people were under scorching sun and there was carnage in Chittagong. This was strongly protested by Awami League members and at this stage lot of heat was generated in the House.

The adjournment motion was talked out by the Speaker at about 10.20 p.m. and adjourned the House till 10.30 a.m. today (Wednesday). The session was presided over by Mr. Korban Ali, Deputy Speaker.

The house reached this unanimous decision on Tuesday evening while taking part in the discussion on an adjournment motion moved by Muslim League M.P. Mr. Mohammed Ainuddin. In moving the motion Mr. Ainuddin said that the BSF attack on our citizens and violation of our border was not an isolated event. He alleged that the attack was part of the conspiracy to subdue Bangladesh by India which the big

neighbour was doing since independence regarding Farakka, Talpatty, Dahagram and Angorpota. He strongly condemned the incident and urged the House to unanimously condemn the incident for the sake of national interest.

Winding up the discussion Prime Minister Mr. Mizanur Rahman Chowdhury said that the Government was protesting the inhuman and cowardice attack by BSF on our citizens diplomatically. He said the Bangladesh Government sent strong protest note to Delhi. He said that if BDR would not have replied the BSF by opening fire there could be bigger carnage in the area. He congratulated the BDR and the armed forces in the Hill Tracts who were undertaking tremendous trouble to defend the independence and sovereignty of the country and the key installations there.

He scotched the Opposition's allegation that the present Government was pursuing a subservient foreign policy. He alleged that it was the Awami League government who accepted the Indian right over the Ganges Water after independence and signed the treaty with India. Mr. Mizanur Rahman Choudhury said that SAARC was created for peaceful coexistence of the states in the South Asia. If any member violates we can only protest it. The alternative is very dangerous, he warned.

Dr. Matin earlier gave the detailed account of the carnage in the Puran Ramgar village in Fatikchhari

upazila in Chittagong and said the BSF killed 11 people including children, injured two, burnt 28 houses and killed 28 cattles. He said BDR acted promptly and drove the BSF from the soil of Bangladesh. He said there was a misconception among the members that the Shanti Bahini was behind this movement. He said it was purely the BSF members having the non-tribal facial look and was speaking in Hindi.

Deputy Prime Minister Kazi Zafar Ahmed strongly condemned the event and accused the Awami League of following a subservient foreign policy. He alleged that Awami League surrendered the sovereign right of Bangladesh by signing the 25-year friendship treaty with India in 1972 and handing over Berubari to India.

Taking part in the discussion Leader of the Opposition Sheikh Hasina said that she and her party would not remain silent in case of an attack on our country by any one—be it India, Pakistan, China or United States. She also condemned the BSF attack on our citizens. She placed two proposals in the House one to send a strong protest note to Delhi condemning the incident and another to impeach the President who is holding the defence portfolio for failing to protect the lives and properties of the people. She said while BSF came and killed our people why our people could not retaliate? Prime Minister, however, said this type of retaliation would have been inhuman too and dangerous.

/13046

CSO: 4600/1791

OFFICIAL ON SHANTI BAHINI, BORDER, TRIBAL PROBLEMS

Dhaka THE NEW NATION in English 17 Jun 87 pp 1, 8

[Text]

Deputy Prime Minister Prof M. A. Matin told the Jatiya Sangsad yesterday that 452 civilian people had been killed by the so called Shantibahini men in Chittagong Hill Tracts in last five years from January 1, 1982 to December 31, 1986.

Replying to a question from Principal Abul Kalam Majumdar of Awami League, he said the family members of each victim had been given Taka 200 as G. R. and Taka 500 as house building grant. Besides, they have been given G.R. rice, wheat, flour, C. I. sheets and old garments etc, he said.

In reply to a supplementary question, Prof Matin said since the so-called Shanti-bahini people were engaged in criminal activities, there could not be any political solution to the issue. When Mr Mosharraf Hossain of Awami League wanted to know how many army-men were killed in encounters

whether the Deputy Prime Minister was considering to submit his resignation in view of what he termed large-scale road accidents in the country, Prof. Matin said, "no". Replying to a supplementary question, he said a research cell had been set up under his ministry to monitor the cause of each road accident.

In reply to a written question from Advocate Asaduzzaman (Magura-2), he further informed the House that 761 bus and truck accidents had so far occurred in the country since January 1, 1987. Of these the number of bus accidents was 385 and that of truck accident was 376 and the extent of damage in those accidents was about Taka 30,39,747, he said.

In this connection Prof. Matin said during this period 150 bus accidents and 133 truck accidents took place in Dhaka city alone causing damage to the tune of Tk 16,25,88. He said no compensation was given to the injured persons or the family members of those killed in those accidents.

/13046

CSO: 4600/1792

MINISTER EXPLAINS FOOD SITUATION TO NEWSMEN

Dhaka THE BANGLADESH OBSERVER in English 18 Jun 87 pp 1, 8

[Text]

State Minister for Food, Sardar Amzad Hossain on Wednesday ruled out the possibility of any food crisis in the country. He said food situation at present in the country is satisfactory.

Addressing a Press conference at his Secretariat chamber, the State Minister for Food said that at the present moment the government has a stock of about 6 lakh tons food in the godown. The stock of food on 30th June last year was 9 lakh tons. The stock situation, he said would further improve with the procurement of IRRI within next few days.

The State Minister for Food said that the shortfall in food production in the country was estimated at 14 lakh tons for 1986-87. He, however, said that the Government had so far procured 14.30 lakh tons from abroad. This, included import through commercial purchase of rice and wheat and food received as aid. The government so far imported 3.45 lakh tons of food through commercial purchase. The commercial purchase of food cost the government about Taka 142 crore, he added.

Sardar Amzad Hossain said that the Government expected a production of 17.5 million tons of food for 1986-87. But he said target may not be fulfilled as Aman crop was not satisfactory due to natural calamity. But he hinted that the government expected a production of food nearest to the target and the margin between the target and the achievement of food production would be very small. The Government, he said expected a good harvest of IRRI in the country. The IRRI season is yet to be over.

The Food Minister said the internal procurement of food is also

satisfactory. During the Aman season, the Government procured 65 thousand tons against the target of one lakh tons. But the Government during the last two months procured 70 thousand tons of IRRI. The Government expected a production of 40 lakh tons of IRRI at the end of the season.

The State Minister hoped that the production of food in 1986-87 would be higher than that of the last year. The production of food in the country last year (85-86) was 16.1 million tons. The Government estimated the national requirement of food at about 170 lakh tons.

Speaking about the present price of food in the market, the Minister said that the Government had continued its open market operation to check the price spiralling of food. He hoped that the price of food including rice would come down with the arrival of Aus crop.

Dispelling any alarm in the food shortage, the State Minister said that more food are in the pipe line and ships carrying food are expected to reach the country before the expiry of this month.

The State Minister for Food who led a three-member delegation from Bangladesh at the 13th meeting of ministerial level meeting of the World Food Council in Beijing returned to Dhaka on Monday the Beijing Declaration of World Food Council called upon the developed countries and major financing bodies to take into consideration the current impossibility of developing countries to repay their debts and to set up the necessary financial instruments for national economic recovery.

The declaration further called upon the developed countries responsible for trade negotiation to

re-establish a healthy and equitable exchange of agricultural products and to allow the fair participation of developing countries.

The World Food Council set up in 1974 monitor food situation and it acts as a coordinating mechanism to provide overall integrated and continuing attention for the successful coordination and follow-up policies concerning food production, nutrition, food security, food trade and food aid by all the agencies of the UN system.

The World Food Council has 36 members with nine from Africa, eight from Asia, seven from Latin America and eight from West Europe.

/13046

CSO: 4600/1793

WRITER NOTES INDIAN PRESS CAMPAIGN ON CHAKMA ISSUE

Dhaka THE NEW NATION in English 9 Jun 87 pp 1, 8

[Article by M.R. Rousseau]

[Text]

The Indian media is apparently whipping up a campaign urging the Indian government to directly interfere in the Chakma refugee issue to the detriment of Bangladesh's sovereignty.

From the trend of reporting and editorial comments in a section of the influential Indian dailies over the last seven months one is likely to be convinced that its avowed goal is not only to tarnish the image of Bangladesh in the world but also to compel the Bangladesh government to take back the Chakma refugees on the Indian government's terms. The All India Radio, Door Darshan and the leading dailies have all launched a concerted move to linger the problem of return of Chakma refugees to the Chittagong Hill Tracts rather than help solve it speedily.

It is evident from the discrepancies in the figures quoted by various newspapers that there is a deliberate attempt at distorting the facts with a view to misleading world public opinion and give the whole thing a communal colour.

Knowledgeable circles, therefore, are pretty worried about what is up the Indian government's sleeves, especially in view of the recent gruesome raid by the armed miscreants donning BSF uniform along the Khagrachhari border and the violation of Sri Lankan air space by the Indian air force.

OMINOUS ATTEMPT

More ominous is the attempt at giving the Chakma issue a communal colour. The Indian express of December,

1986, for instance, in its editorial says that the root cause of the Chakma problem has been the failure of Bangladesh government to redress the longstanding grievances of these tribals professing the Buddhist faith; they have had to suffer destitution as a result of being robbed of their traditional lands. They have also been denied the benefit of any arrangement by which they could safeguard their cultural identity and expect to have their voices heard at least in local self-government."

The Patriot in an editorial entitled "return of the Chakmas" published recently writes: "it is certainly a matter of concern for India; the continuous influx of tribals not only strains economic and administrative arrangements but also raises anxious queries about the country's security... Chakma resistance was stimulated by the Dhaka authorities' decision to settle Muslim immigrants in the Chittagong Hill Tracts after partition. All administrations in Dhaka since then have carried out this policy."

The Patriot finds it convenient to tag one of India's own internal problems with that of the Chakma issue in the same editorial: "the unstable conditions in the tract, in parts of which Dhaka's writ does not run, have enabled terrorist groups from eastern India to find shelter. The latest incidents in southern and south-eastern Tripura have

shown that the marauders of the Tripura National Volunteers emerge from their sanctuaries in the Chittagong Hill Tracts to commit murders in India".

COLONIZATION ?

Sunanda K. Datta Ray of the Statesman in his signed article in the daily's April 12 issue, accuses the Bangladesh government of being responsible for a "relentless march of colonization" in the CHT. In his article titled "Appeal from Rangamati: can India save Bangladeshi tribes?", Mr Ray goes out of his way to comment: "a way of life is being murdered because Bangladesh will not tolerate people who are neither Bengali nor Muslims".

MEDICINE

Mr Ray refers to recent comments by some international humanitarian organisations calling for alleviation of the plight of the Chakmas and, then, goes on to advance a dangerous suggestion: "so many well wishers to hold the patient's hand but India alone can administer the medicine".

"India," he writes on, "has a historic role in the region. Also some degree of legitimate leverage which must on occasion be used ... Dhaka has also to be reminded that Shantibahini is the effect—not cause—of repression the present exodus would not have started if 10,000 Bangladeshi troops had not launched a major offensive against the tribals on April 2, 1986."

Curiously enough, Jugantar of January 6, in its double column news item (entitled three thousand Chakmas murdered in the Chittagong Hill Tracts in one year) puts the figure of Bangladeshi Armed Forces operating in the CHT at 20,000.

However, Sunandu K. Datta Ray in his piece depicts a picture of today's CHT, which obviously is far removed from the reality, with the words: mosques rise where monasteries once stood, concentration camps (adarsha

grams) are replacing natural villages and the crackle of gunfire has drowned the sound of music."

Jugantar of January 6 goes to the extent of cooking up another absurd suggestion: "rehabilitated Muslims have been adequately armed. They launch assaults and indulge in looting the tribals whenever they get an opportunity".

HEIGHT OF IMAGINATION

The Hindustan Times (January 3, 1987) in its four-column story entitled Chakma tribals allege genocide by Dhaka quotes a report (of so-called United People's Party) that represents ethnic tribes of CHT) to say that [the Bangladesh government has indulged in] "forcible conversion and electoral frauds."

"It indicates," the Hindustan Times goes on, that the Bangladesh government has intensified genocidal campaigns against the ethnic tribes of Chittagong... the policy of the government is to destroy the local inhabitants in order to settle its Muslim co-religionists in their place... the Bangladesh government encourages Bengali soldiers to rape tribal women in order to make the indigenous people look Bengalis... the report (of the UPP) also lists cases of forcible conversions of the ethnic tribes, who are either Buddhists or Hindus into Islam.

The Indian Express of March 13 and Ananda Bazar Patrika of March 9 in their editorial and an over-displayed news story, respectively, spoke of "reported killing of 100 Chakmas by Bangladeshi troops in Pachari upazila". They gave pictures of an imaginary mass-killing. Ironically enough, the same Ananda Bazar Patrika in its March 10 issue reported that the "Tripura government was not aware of any incident in which 100 Chakmas were murdered by the Bangladesh army". The report says: "A top level official had visited the refugee camps in Karbuk and other areas yesterday (March 8). He told UNI that none of the refugees had told him about any such killing."

BNP PROTESTS INCLUSION OF MILITARY ON DISTRICT BODIES

Dhaka THE NEW NATION in English 11 Jun 87 pp 1, 8

[Text]

The National Executive Committee of BNP has strongly protested the proposed bill allowing representation of the Armed Forces in the Zilla Parishads (district councils) and vowed to build up a country-wide movement for what has been described as protection of the constitutional rights and dignity of the Armed Forces if the bill is made a law.

It was stated in a resolution of meetings of the committee held with Party Chief Begum Khaleida Zia in the chair on June 4 and 9 at the residence of Party Secretary General K.M. Obaidur Rahman.

The resolution said, "the people of Bangladesh are democracy-loving. In any country the responsibility of territorial defence rests with the Armed Forces. In our constitution too the Armed Forces have been entrusted with the overall responsibility of ensuring national security and protection of the country's territory."

"The Armed Forces are symbol of independence and sovereignty of the country and the last resort at the critical moments of the nation. Hence like all other democratic countries the Armed Forces have been kept neutral and above all

political disputes through the constitution in Bangladesh too."

It further said that the present "anti-people" government had been involved in a "suicidal conspiracy" by allowing representation of the Armed Forces in the administration defying all constitutional provisions and conventions.

It said that as the first step in the direction of materialising the conspiracy a bill was going to be placed in the "illegal" Jatiya Sangsad (Parliament) in order to make a law on the representation of the armed forces in zilla parishads.

The resolution expressed the belief of the party that if the proposed bill was made a law the dignity of the armed forces would be affected and become an object of political dispute. This situation will give rise to a severe national crisis, it added.

It went on saying, "the BNP is well aware of the role and dignity of the Armed Forces and in favour of upholding the constitutional responsibility of the Armed Forces to defend the country. So it is opposed to involvement of the armed forces in any political dispute."

In another resolution it was observed that the present government was anti-people and autocratic. Under the long

misrule of this Government the industrial and agricultural sectors had been ruined and the backbone of the national economy broken and consequently, most of the essentials were being imported from abroad, it added.

It stated increasing dependence of the Government on foreign aid and attributed it as a factor responsible for ruining the national economy.

It warned the government against imposition of new taxes and enhancement of existing ones.

One resolution reiterated the firm stand of the party for establishment of a representative government of the people through free and fair elections under a neutral caretaker government by dissolving what it described as the illegal parliament.

It said that the party stressed the importance of achieving this goal through a united movement with all political parties and alliances having respect for democracy.

The Party decided that it would initiate parleys with all democracy-loving individuals, parties and alliances on the prospect of an action programme for a united movement.

/13046

CSO: 4600/1789

COMMUNIST PARTY CENTRAL COMMITTEE RESOLUTION REPORTED

Dhaka THE NEW NATION in English 10 Jun 87 pp 1, 8

[Text]

A three-day meeting of the central committee of the Communist Party of Bangladesh (CPB) concluded yesterday expressing concern at the 'deteriorating situation' in South Asia.

In a resolution on the situation, the meeting said that the attempt of 'US imperialism' to arm Pakistan with sophisticated weapons coupled with other factors had contributed to declining Indo-Pakistan relations.

Turning to the Indo-Sri Lanka relations, the resolution said that the efforts of the two countries for peaceful settlement of the ethnic problem in Sri Lanka were affected for various reasons and consequently the problem had become acute.

It said that violence, bloodshed and loss of innumerable lives had afflicted the conscience of the peace-loving people the world over and against this background singular initiative

of the Indian government for sending relief materials for the Tamils of Sri Lanka through violation of its airspace had made difficult the settlement of the issue. So the measure of the Indian government is deplorable and not supportable, it added.

Regarding Indo-Bangladesh relations, it said that the repatriation of Chakma refugees in the recent times, killing of 11 Bangladeshi nationals in a border village of Chittagong and other issues had strained the normal relations of the two countries.

It said that there was communal tension due to ethnic, caste or religious differences in every country of the sub-continent.

The CPB thought that the "imperialist forces" and their "local agents" were responsible for this tension.

/13046

CSO: 4600/1788

PARLIAMENT PASSES AMENDMENT TO NATIONALIZATION LAW

Dhaka THE BANGLADESH OBSERVER in English 18 Jun 87 p 1

[Text]

The Jatiya Sangsad on Wednesday passed the Bangladesh Industrial Enterprises (Nationalisation) (Amendment) Bill, 1987, aimed at further stimulating the country's economy in the greater national interest, reports BSS.

The Deputy Prime Minister in-charge of Industries, Mr. Moudud Ahmed, piloted the bill which will be deemed to be effective from May 7 this year.

The amendments were necessitated for transferring shares of some selected industrial units under the sector corporations to the members of public, workers and employees with a view to materialising the 1986 industrial policy and stimulating the economy further in the greater national interest.

Clause (2) and paragraph (B) of Clause (4) of article 4 of Bangladesh Industrial Enterprises (Nationalisation) order, 1972 (P.O. No 27 of 1972) were substituted by following two paragraphs respectively:

(2) the Government may, if in the national interest it deems it expedient so to do, sell or otherwise transfer to a corporation or to any other person, in such manner and on such terms and conditions as it deems fit, any scheduled industrial enterprise or any other industrial enterprise or any share or proprietary or other interest therein, vested in the government under clause (1).

Clause (4) (B) take such measures, including consequential changes in the relevant memorandum or articles of association, as may be necessary to facilitate the

sale or transfer of the industrial enterprise under Clause (2) or to enable the industrial enterprise to function under the Companies Act, 1913 (vii of 1913).

Following two clauses will be inserted after Clause (4) respectively:

(4A) where the government sells or otherwise transfers under Clause (2) any industrial enterprise or any share or proprietary or other interest therein, the provisions of the Companies Act, 1913 (vii of 1913), relating to holding of meetings, balance sheet, minimum subscription, prospectus, statement in lieu of prospectus, filing of returns of respect of such industrial enterprise or transfer of such share of interest for the period preceding the sale or transfer shall be deemed not to have been applicable thereto.

(4B) where the government sells or otherwise transfers under Clause (2) any industrial enterprise or any share or proprietary or other interest in favour of a corporation or company in which the government or the corporation hold the majority shares, no tax, fee, levy or charge under any law shall be payable in respect of such sale or transfer.

Following clause (5) will be inserted after Clause (4) of article 17 of the P.O. No. 27 of 1972:

(5) the corporation may hold shares or interest in any scheduled industrial enterprise or in any other industrial enterprise or in any company, and may manage the affairs of any enterprise or company in which it holds shares or interest if the enterprise or company so requests.

/13046

CSO: 4600/1793

PAPER PUBLISHES TEXT OF ERSHAD NEW YORK SPEECHES

10 Jun Speech

Dhaka THE NEW NATION in English 13, 14 Jun 87

[13 Jun 87 p 3]

[Text]

President HM Ershad was conferred the 'UN Population Award '87' by the UN Secretary General Javier Perez de Cuellar at a ceremony at the Trusteeship Council Chamber of the United Nations headquarters in New York last Wednesday. Having been decorated with the award President Ershad delivered a speech which as supplied by the BSS, is as follows.

Bismillahir Rahmanir Rahim,
Mr Secretary General,
Mr Mahmud Mestiri,
Members of the Committee,
Dr Nafis Sadik,
Honoured Guests and Friends
Assalamu Alaikum

I feel greatly honoured to have been nominated for the United Nations Population Award for 1987. I accept this honour not only on my own behalf but also on behalf of the thousands of dedicated family planning workers and millions of young parents in Bangladesh whose singleminded dedication so family planning measures has brought this important success to my country. The honour bestowed upon me today is also recognition of the relentless effort made in my country in one of the most difficult areas of social environment.

While we have gathered here today for the United Nations Population Award 1987, we cannot but recall the untiring efforts and high sense of dedication with which

Mr Rafael Salas, the demised Executive Director of the fund had transformen the UNFPA into what we see it to be today.

Mr. Secretary General.

I congratulate Dr. Nafis Sadik on her appointment as the new executive director of the organization. It is my sincere belief that Dr Sadik having long and rich expesience in the field, will be able to give guidance and leadership to the Fund's activities providing benefits to the developing countries in the field of family planning.

It is well known that Bangladesh which is a least developed country, is suffering from one of the highest densities of rural population in the world. Given its abject poverty, illiteracy and dense population, the high population growth in Bangladesh has been identified by my government as the number one problem. It has been clearly understood by us that the quality of life in Bangladesh cannot be improved unless we are successful in our population planning. Therefore, all our endeavours in economic planning and development, and in the social sphere are geared to making the people aware of the impending menace of population explosion.

My government's efforts in all spheres are oriented towards reducing the population growth rate to ensure better facilities for our people to build a planned, prosperous and happier society for future generations.

My government has been engaged in the successful implementation of family planning programmes in a massive way. All-out effort are being made to bring family planning services to the door-step of the people.

[14 Jun 87 p 3]

[Text]

The following is the concluding part of President Ershad's speech delivered at the UN Population Award giving ceremony at the Trusteeship Council chamber of United Nations headquarters in New York on Wednesday last.

Since assumption of power, my government has been engaged in relentless effort to transmit the fruits of political freedom to the people through economic emancipation. We have decentralized the administration and judiciary and introduced basic units of administration manned by elected representatives of the people at upazila levels. All local development including family planning programmes are drawn up and implemented at the upazila level. Local leadership has proved to be crucial in exhorting the rural population in voluntarily accepting the family planning programmes.

Mr Secretary General and distinguished guests.

You are aware that population problem is multidimensional in nature. Some of the problems posed by rapid population growth are large-scale unemployment and underemployment, rural poverty, rapid and unplanned urbanization and aggravated pressure on economic and social infrastructure. In spite of reduction in population growth rate in Bangladesh, the sheer number of additional people each year stemming from its large population base is overwhelming. Bangladesh has geared up as possible her own scarce resources for combating population explosion but she certainly needs further international help and cooperation to successfully continue her efforts. The Ministry of Health and Family Planning in consultation with other government agencies has drawn up an elaborate programme in this regard. With the transfer of family planning programmes to upazilas, the chairman of the upazila parishad and the concerned government officials at the

upazila level have given responsibility to gear up their activities coordinate and monitor the performance of family planning programmes under their jurisdiction. In order to encourage the field workers in the family planning activities, who no doubt play a vital role in carrying out the family planning programmes the government has introduced a national family planning award. All these measures adopted by my government made possible to achieve this modest though important attainment of population growth rate of 2.4 per cent in 1986—a reduction in the growth rate from over 3 per cent five years ago.

Mr. Secretary General and distinguished guests.

The global demographic picture is equally alarming. Already the human use of the air, water, land, forest and other systems that support life on earth were pushing those systems over the "thresholds" beyond which they cannot absorb such exploitations without permanent damage to ecology. By the year 2000 the world population will reach 6200 million which will be an increase of 12.4 per cent over the 1987 figure. Ninety per cent of this addition will be in the developing countries where already three fourth of the global population live. The number of people in the Asian continent alone in 1983 was more than that of the entire world population in 1950. Such increase has no doubt contributed to environmental degradation on a global scale and has also led to pervasive and widespread poverty in the developing countries. Unless an integrated international development strategy is formulated on population all our efforts on individual and piecemeal will be futile. Keeping this in view I joined 26 other heads of states in issuing an address to you, Mr Secretary General, during the 40th UNGA

session highlighting the impending danger of population explosion and called upon the world leaders to embark on a joint plan of action to curb population growth in the interest of global peace and security. To cope with challenge posed by an evergrowing population in the coming years, it will certainly require coordinated effective efforts on a global scale particularly with a view to preserving and improving the quality of life. Family planning in this context should be seen as an essential input and an imperative requirement for sustaining development, a sustainable society and only the one which satisfies its needs without diminishing the prospects of the coming generations.

Mr Secretary General and distinguished guests,

I wish to take this opportunity to pay a personal tribute to the dedicated role played by the individual initiatives and the non-governmental organisations, both national and international,

to enable us to achieve the modest success so far. The importance and solemnity of this occasion encourages me to issue a personal appeal to all of our partners in progress to redouble their effort in support of the motivated commitment of our people for further enhancing the quality of life. The award with which I have been honoured really belongs to the commitment of individuals and institutions. The non-governmental organisations occupy a pivotal role among them and I dedicate the benefits of this award to them as a mark of my personal recognition of their role.

I would like to once again express my profound thanks to the United Nations for this honour bestowed upon me which gives us encouragement and strength to continue our untiring efforts at planning a better future for our coming generations.

Thank you.

Speech to Development Council

Dhaka THE NEW NATION in English 15, 16 Jun 87

[15 Jun 87 p 3]

[Text]

Following is the full text of President Ershad's speech at the 34th session of the governing council of the UNDP delivered in New York on Thursday, reports BSS.

Bismillahir Rahmanir Rahim.

Mr. President,
Executive Director Sadik.
Distinguished delegates,
Ladies and gentlemen,
Assalamu Alaikum.

As I speak before you today, the thought of Paul Hoffman whose vision and dedication led to the establishment of the United Nations Development Programme comes to my mind. Hoffman had said, "It is poverty of opportunity, rather than just poverty itself which causes so much suffering and discontent. It is through alleviating poverty of opportunity that development truly becomes a peace-building process". Right to development is an inalienable human right and equality of opportunity for development is a prerogative both of nations and of individuals who make up

nations. I believe that opening of the doors of such opportunity has been the constant endeavour of the United Nations since its establishment. This endeavour is in the realisation of the objectives of the UN Charter in promoting 'social progress and better standards of life in larger freedom' and employing international machinery for the promotion of the economic and social advancement of all peoples". We can surely take pride in the fact that during the last four decades, the United Nations, in promoting international cooperation for development, has addressed the major problems of mankind saving millions of lives and contributing effectively to the quality of life in many more millions still. It has been no mean achievement for the United Nations development system which have been carrying out assiduously what many have called the 'silent agenda'. I pay tribute to all those people around the globe whose genuine support to and tireless work for the U.N. have made it possible.

It goes without saying that many of mankind's greatest hopes and fondest aspirations can only be realised through economic and social progress which must remain the primary goal of the United Nations. The common well-being of the world's population depends heavily on the success achieved in global development and in the reduction of the disparity in the conditions of life within the international community. As the present global economic crisis continues having its adverse impact on all countries particularly those in the developing world, the remaining years of this century would require greater understanding and closer co-operation among nations of the world. We must not forget that the negative effects of inadequate development will not be limited in the future to the poorer countries only. It will be increasingly universal.

For quite some time now, we have been facing economic challenges of such magnitude and complexity that no country can face those in isolation. Such inter-dependence and linkages tell us to forsake our ambivalence with regard to multilateral economic cooperation. If the world economy is to return to the path of healthy and equitable growth and development, well-coordinated policy measures are needed on all sides: government and multilateral organisations. There should be a greater understanding of the development needs of the developing countries and an international condition for their accelerated development. No nation or group of nations can gain by pushing its claims beyond the limits that sustain world economic growth.

Development is not merely economic or material, but something much wider, encompassing all aspects of human life. When we speak of development we must recognize that development

is a comprehensive economic, social, cultural and political process which aims at constant improvement of the well-being of the entire population and of all individuals. The economic and social development, which the United Nations promotes, expresses itself very forcefully through the operational activities of the United Nations system. These activities demonstrate and sustain the image and functioning of the United Nations at the grassroots level, and in some ways, also express the commonality of concern of both developed and developing countries. Operational activities for development of the U.N. system, with an annual global expenditure of about 2.6 billion dollar, have truly provided an important dimension of the international development efforts, whereby lives of millions of peoples in the distant corners of the world have been enriched. Today we can pick any of the developing countries and find the eloquent manifestation of the United Nations assistance and support to its national development programmes say in my own country Bangladesh, where the United Nations has been deeply involved since the days of our war of independence. You will find in its remotest parts that development of small farms or vocational training or cottage industries are being done with UNDP assistance: roads and embankments have been built through the food-for-work programmes of the WFP, family planning and maternal and child health programmes are supported by UNFPA, universal child immunization and other healthy services programmes are undertaken by UNICEF and WHO. These are the real and down-to earth expression of the goals set out in the United Nations Charter to promote "higher standards of living, full employment and conditions of economic, social progress and development."

[Text]

The following is the concluding part of the text of President's Ershad's speech at the 34th session of the governing council of the UNDP in New York on Thursday.

To us, the developing countries this is what the United Nations stands for. We believe that this role of the United Nations is much more tangible though less dramatic and unfortunately not-so-well-known.

The member states have reaffirmed time and again the important contribution of operation activities in support of the overall economic and social development of the developing countries and in promoting their economic self-reliance. This reaffirmation, of course, would need to be supported through a substantial and real increase in the flow of resources for operational activities on a regular basis so as to enable the organizations of the UN development system not only to maintain but also to increase the level of their operational programmes in the developing countries. What concerns me most is that the resource constraint will surely bring about further limitations in the activities of the United Nations in the area of development which it has championed successfully for decades.

The main engine of the operation activities of the United Nations is the United Nations Development Programme (UNDP) which over the years has been able to show successfully its ability to address the needs and priorities of the developing countries in accordance with their development objectives. With its responsibilities as the central funding and coordinating mechanism for technical cooperation by the entire UN development system, UNDP is truly the world largest development service network. Secretary General U Thant had said very appropriately that "The establishment of the United Nations Development Programme puts our world organisation in the very front lines of the global war on want—a struggle that is perhaps the most critical of these times, and surely the most creditable in which men have ever engaged themselves". Within the limits of its resources and as far as physically possible, the UNDP

has fully responded to this mandate. In providing an immense variety of services to more people in more countries and in more sectors than any other development institution, it has been at the forefront of an extraordinary human endeavour. UNDP's role in the enlargement of the full range of human capabilities and institutions as the driving force behind social and economic progress has made it unique among multilateral funding agencies. It has been able to face quite successfully the challenging task of providing help to the developing countries to manage

and make best use of all resources—human, natural and financial available for their development. It is a matter of satisfaction to note that trends in the new programmes of UNDP reflect both the impact of today's global economic conditions on developing nations and the strategies they are now adopting in response. While saluting the achievements of UNDP, we must remember that much more remains to be done. The future evolution of the programme will be determined by its ability to respond effectively to the changing requirements of developing countries for multilateral technical cooperation. The important role of better coordination both at global and national levels should also be remembered in this context.

Bangladesh being the third largest recipient of UNDP assistance, I can vouch the tangible and positive impact of the work of UNDP and its executive agencies on the lives and prospects of millions of people. Same, I am sure, is true for many other developing countries. It is because of this that we feel seriously concerned at the difficulties which UNDP faces in expanding its activities. Shortfall in the resources of the UNFPA and its impact on the ability of the fund to carry out and enlarge its much-needed programmes causes us deep concern. I trust that you as members of the governing council will find it possible to agree on measures which are required to take UNDP and their most beneficial programmes into the next century with greater confidence and stronger commitment.

Present global conditions and development experience of past decades tell us very forcefully that development of human resources should be the centre of all our development endeavours. Human resources development, which has been UNDP's main focus for some years, must be looked upon not merely as an instrument of economic growth but also as the development objective itself. Human resources should be the active participants and beneficiaries of the development progress. It is a pity that in designing the projects and programmes, the human dimension of development is overlooked or neglected. We must make every effort to maximise in concrete terms the benefits of the "human capital. Programmes and funds of the U.N. system should play a critical role in this regard through their technical cooperation programmes.

The question of human resources development is integrally linked to the role and share of women in development. Women, who make up half of the world's population, account for two-thirds of the world's work hours, produce half of its food and support a third of all households. But they receive only ten per cent of its income, own less than one per cent of its property and earn less than three quarters of wage of men doing similar work. All kinds of barriers still limit women from enjoying equal freedoms, opportunity and recognition. These inequities call for a concerted and practical response at national and international levels. It is encouraging to find that UNDP has given institutional shape to its efforts to bring the abilities, talents and potentials of women into mainstream development. I urge you to consider systematically the needs and capabilities of women and to reflect those in a strategy aimed at greater involvement and integration of women in development process. Women as well as men should be given the opportunity of contributing to and benefiting from the development of their countries as equal partners.

Here I would like to stress that the energies of non-govern-

mental organisations (NGOS), if tapped properly, can be of tremendous support to operational activities for development more so because NGOs are now moving from their focus on humanitarian and relief activities towards longer run development. It is with satisfaction I find that UNDP has taken steps to give institutional shape to its partnership with NGOs. A closer relationship, I believe, will be mutually beneficial and the joint impact will be positively greater on the poorest and the neediest.

The world economic crisis has made difficult adjustment measures—a must for all of us particularly for those in the developing countries. But at the same time, I believe, adjustment without growth and human development is both unacceptable and counter productive, while we try our level best to adopt policies at the national levels directed at the alleviation of poverty and provide as much input as possible so that the full potential of our people are realised. At the international level these national actions need to be supplemented and bolstered. The objective of adjustment programmes must be to achieve economic growth while protecting human development and pursuing policies based on equity and justice. We should never fail to recognise that the fundamental objective of all economic activities is the enrichment of human lives. In this context needs and priorities of the least developed countries (LDCs), to whom a progressively larger share of operational resources deserves to be diverted, should receive a particularly special attention in view of the most vulnerable nature of their economies and their inherent structural weakness.

Let me conclude by reiterating that we, the nations of the world, are one single family with a common destiny, we are all engaged in a common enterprise, our future lies in our common progress and betterment. We can create a peaceful world only if we work together with this objective in mind.

Thank you.

COMMENT, REPORTAGE ON CONTENTS OF 1987-88 BUDGET

Highlights of Budget

Dhaka THE NEW NATION in English 19 Jun 87 pp 1, 8

[Text]

Finance Minister M. Syed-uzzaman in his two-hour long budget speech in the Jatiya Sangsad (parliament) yesterday afternoon called for raising of domestic resources and uninterrupted production for moving towards self-reliance.

The bureaucrat-turned minister, attired in his black prince suit, read out his 56-page (divided in two parts) budget speech with remarkable boldness and speed amid continual protests from the opposition benches and occasional applause from the treasury benches.

Speaker Shamsul Huda Chowdhury, who presided over the sitting, interrupted the speech once only to ask the honourable members of the opposition benches to have patience, for, they would have ample opportunity to discuss and criticise the budget when the finance bill was taken up for discussion. Opposition members, however, continued to shout 'no, no,' 'shame' and words to that effect even after the Speaker's appeal. Eventually, the opposition bench members, save JSD (Rab) walked out just five minutes before the conclusion of the budget speech.

The Finance Minister urged the members

of the Jatiya Sangsad to pay close attention in matters of 'ensuring that government resources deployed for development activities are spent in line with the nation's socio-economic objectives'. He expressed the hope that the members of the house will play an important role in ensuring that funds allocated for implementation of a large number of development projects in different parts of the country 'are well spent.'

Although the Finance Minister's entire budget speech was telecast live from the Sangsad Bhaban, the visitors' galleries were full and the press galleries over-crowded. Among those present in the VIP galleries were

Chief of Army Staff
Lt Gen M. Atiqur
Rahman, Navy Chief
Rear Admiral Sultan
Ahmed, Air Force
Chief Air Vice-
Marshal Sultan Mah-
mud, foreign
diplomats and a
large number of high
civil and military
officials.

STRUCTURAL CHANGE

The Finance Minister in his speech did some plain talking about the state of the economy and what must have to be done under the circumstances. He said: in today's world no country of the Third World can prepare its national economic programme ignoring the international environment. This is especially true of Bangladesh, as a large part of our economy is dependent on international trade and aid.

"Unfortunately, due

to changes in several domestic and international factors, economic growth during the current year will not be up to the expectation", he said pointing out that during the current year (a) food production targets were missed and the government food stock had come down to dangerously low level until a few week ago, (b) overall price rise during the year was expected to exceed 11 percent against the original target of 10 percent, (c) during the last eight months prices of raw jute goods and tea had fallen alarmingly in the international market and (d) at one stage foreign exchange reserves came down to almost 300 million US dollars barely enough to pay for the import of a month and a half.'

BUDGET AT A GLANCE			
<i>(In crores of Taka)</i>			
Heads.	Budget 1987-88.	Revised 1986-87.	Budget 1986-87.
A—REVENUE BUDGET			
Receipt—Statement—II	4915.00	4717.00	4840.00
Expenditure—Statement—III	4481.00	3956.00	3740.00
Revenue Surplus (a)	434.00	761.00	1100.00
B—FOREIGN GRANT—Statement—IV (b)	1728.10	1492.78	1743.00
C—CAPITAL BUDGET			
Foreign Loan—Statement—IV (c)	3274.90	2879.71	2729.00
D—DOMESTIC CAPITAL NET :			
Domestic Loans and Advances and Capital Expenditure excluding Food outlay and ADP (Net)—Statement—V.	(-) 363.39	(-) 173.33	(-) 254.00
Public Account of the Republic (Net)—Statement—VI	178.50	160.22	162.00
Total—Domestic Capital—Net (d)	(-) 184.89	(-) 13.11	(-) 92.00
Total—Budgetary Resources (a+b+c+d)	5252.11	5120.38	5480.00
Extra Budgetary Resources—Statement—IX	175.49	200.00	250.00
Total—Resources available	5427.60 +416.40*	5320.38	5730.00
E—USE OF RESOURCES			
Annual Development Programme—Statement—VIII	5046.00	4513.38	4764.00
Food for Works	345.00	326.00	307.00
Non-ADP Projects	128.00	92.00	154.00
Agricultural Research	10.00	11.00	..
Food Budget	315.00	378.00	505.00
Net outlay in Food Operation—Statement—VII	(540.00)	(562.00)	(678.00)
Transfer to Public Account of the Republic	(-225.00)	(-184.00)	(-173.00)
Total	5844.00	5320.38	5730.00
*Effects of new measures.			

Budget Speech Text, Annex

Dhaka THE NEW NATION in English 19, 20, 21 Jun 87

[19 Jun 87 pp 3, 7]

[Text]

MR. SPEAKER,

Sir, I rise with your permission to place before the Jatiya Sangshad the budget proposals of the Government of the People's Republic of Bangladesh for the year 1987-88. At the same time I shall also place for kind information and approval of this House the supplementary annual financial statement or the revised budget estimates for the year 1986-87.

After long 6 years the National Budget is being placed for consideration of the elected representatives of the people. I express my unlimited gratitude to Allah, the Merciful for the opportunity given to me for discharging this heavy responsibility.

2. As the most densely populated country and one of the poorest in the Third World, the budget proposals of the Government of Bangladesh mark a special event and step. It is natural to expect that these will indicate the direction of total national activities for the

next one year. It is also natural to expect that in the context of our national problems and issues, these proposals will be based on hard realities and in the best interests of the nation.

As a nation we are engaged in a struggle for raising the level of living of our people, and in this effort the Government is providing the leadership through its investment programmes and economic policies. In this context I consider that the most significant event of the current financial year is the election of the President which has ensured the continuity of the basic economic policies of the past 5 years and their further development.

3. Mr. Speaker, in today's world no country of the Third World can prepare its national economic programme ignoring the international environment. This is specially true of Bangladesh, as a large part of our economy is dependent on international trade and aid. This has become particularly obvious in the evolution and changes in economic activities during the year 1986-87.

While announcing the budget for the current year at the end of June, 1986 I referred to a number of positive factors such as, adequate supply of inputs and raw materials for agricultural and industrial production, increase in the production and distribution of electricity and gas, reduction in the prices of petroleum and petroleum products, reduction in the duties and taxes on a large number of industrial raw materials and inputs, reduction of interest rates in several areas, improvement in the foreign exchange reserve position, a satisfactory price situation, a satisfactory level of food stocks in the Government godowns, and arrangements for the highest level of investment after our independence through the Annual Development Programme.

Unfortunately, due to changes in several domestic and international factors, economic growth during the current year will not be up to expectation. First of all, let me mention about the most significant aspect—the food situation. The target for food production was fixed at 174 lac tons. Due to adverse climatic conditions, Aus production was somewhat below the target, Aman production was almost 3 lac tons behind the target, wheat production almost 4 lac tons and Boro production 1.5 lac tons behind the targets. Including Boro, total food production during the year is now expected to be 165.5 lac tons. Due to lower production of Aman and Wheat domestic prices increased some time after the harvests; it was not possible to build up Government stocks through internal procurement; and a part of food import under aid was late in arrival. As a result Government stocks of foodgrains came down. In this situation for quite some time domestic prices of foodgrains continued to increase. To cope with these, arrangements were made for import of rice and wheat with cash foreign exchange on an emergency basis. It was thus possible to increase supplies and to bring the food situation under control through improved distribution and better administration. The target for import of foodgrains during the year with our own resources was only one lac ton, but arrangements had to be made for import of 5 lac tons. In the past several weeks there has been a noticeable improvement in the food situation. Due to heavy weightage of food in the consumer price index, the overall price rise during the year is expected to exceed 11% against the original target of less than 10%.

4. Secondly, during the first 8 months of the year there was deterioration in the prices of raw jute, jutegoods and tea in the

international market. In the face of large stocks domestic price of jute went downwards soon after the new production season, and the farmers were faced with an adverse situation. Exports during the first 8 months of the year were below the targets, and at one stage foreign exchange reserves came down to almost \$ 300 million—barely enough to pay for the import of a month and a half.

Due to unsatisfactory recovery of agricultural credit during FY '85-86, the banks were faced with a difficult situation. In order to improve the recovery position, the Hon'ble President announced an unprecedented concessionary measure for borrowers of agricultural credits by giving them rebate on interests. This led to a significant improvement in the recovery position. Even then the level of recovery was not satisfactory vis-a-vis the huge overdue loans, and disbursement of new loan was below the target. Due to reduction in the demand for industrial and consumer goods in the rural areas during the first 6-7 months of the year, industrial production suffered and so did new investment. For this reason and also due to reduction in the prices of a number of commodities in the international market import in terms of value was lower, resulting in lower collection of customs duties and sales tax during the first 6 months of the year. Due to lower industrial production in the first half of the year, collection of excise duties also declined. In this situation, on the basis of the experience of the first 6 months, the size of the Annual Development Programme had to be lowered.

5. The situation started changing from the months of January and February, 1987. There was an upward movement in the price and volume of jute, jutegoods and other non-traditional and new exports. Production of the jute, textiles, food processing and chemical industries (fertilizer, paper, newsprint and sugar, etc.) started increasing. The demand for import also started rising. From

the beginning of the year and particularly after the Aman season there was also an upward movement in the sale of fertilizer and irrigation equipment. It is now expected that the target of distributing 13 lac tons of fertilizer will be achieved, compared to actual sale of 11.52 lac tons during FY '85-86.

The target for export earnings was \$1.00 billion. Latest estimates indicate that exports may reach a level of \$980 million, almost 19% higher than the export earnings of 1985-86. On the basis of certain special measures taken by the Bangladesh Bank in March, 1987, it now appears that total imports during the year may exceed \$2400 million or 1.5% higher than the previous year. Due to a decline in the import price index, the volume of imports will also grow. From December, 1986 remittances of Bangladeshi workers also started going up. On the basis of some improvement in the utilization of foreign aid, upward trend of remittances and exports, and resource flow from the International Monetary Fund, it now appears that at the end of the current financial year foreign exchange reserves may be close to \$800 million. This will be the highest level of reserves after liberation.

Growth of GDP during the current year is expected to be 4.4% compared to the target of 5.2%. Needless to say that while this rate of growth is not unsatisfactory compared to other least developed countries of the Third World, it is highly inadequate for us considering our needs and requirements.

6. Keeping in view long-term benefits to the economy, even in the midst of adverse situation in several sectors of the economy, the

Government introduced many development oriented policies and undertook policy reforms during the year. Considering the importance of the Jute sector in the economy, the Jute Policy was declared well ahead of the season. This will make it easier for the farmers, traders and the jute industry to plan their production and other activities carefully. The Jute Policy was formulated keeping in view the international market and emphasis has been placed on production of better quality jute. Government also decided to operate a 'buffer stock' in order to stabilize the price of raw jute. Along with increasing production, the Jute Ministry has undertaken a programme to improve the quality of products. In the interest of structural adjustment on the basis of a total review of this nationally important industry, a 'Task Force' has also been formed.

In the interest of domestic production the Government undertook a broad-based anti-smuggling operation the beneficial effects of which are already evident. In the field of exports, after reviewing the total problems of the readymade garment industry, policies were adopted in a co-ordinated manner for further improvement and assistance to this sector. To facilitate availability of raw materials and inputs for domestic production, the import policy was made more liberal. Several administrative measures as well as decisions regarding bank credit were taken in order to encourage investment and production in the small and cottage industries sector. In the beginning of the year the Industrial Policy was thoroughly reviewed and the New Industrial Policy, 1986, was introduced. In order to help rapid industrialisation several factors inhibiting investments were identified and decisions taken to correct them. After reviewing the operational and procedural aspects of supply of working capital for industries several new measures were taken by the Central Bank. In order to improve the efficiency and productivity of the nationalised sector and at the same time their overall operational and financial position, a high powered Council Committee was formed during the year. New laws were enacted with a view to facilitating industrial investment and to entrust greater responsibility and autonomy to the principal development financing institutions. During the year the Hon'ble President initiated an unprecedented programme for distribution of Government land to the landless farmers. In the light of Government policy a part of the share capital of the Rupali Bank was floated for public subscription and the shares were over-subscribed. A National Income Commission was set up during the year in order to properly evaluate and analyse the activities of different sectors of the economy and to ensure proper and systematic collection of data and statistics relating to national accounts.

7. Developments during the first half of the year clearly pointed out the two major constraints in the way of raising the growth rate of the GDP which have to be constantly kept in view. The agricultural sector which accounts for about 48% of the GDP is still largely dependent on weather and climatic conditions. In fact, in the present state of our economic development the agricultural sector has become the major source of uncertainty. At the same time the economy is being directly influenced by the changes in the international economic and trade situation. The underlying reason is that our industrial sector is still primarily dependent on a particular commodity and industry, jute and jute goods, and our export earnings are mainly dependent on a number of primary products. As we launched the Third Five-Year Plan, commodity prices came down to their lowest levels in 50 years resulting in severe uncertainties for our balance of payments and economic growth.

Uncertainty in agricultural production due to climatic factors and dependence of the major part of our exports on international trading environment are the two major weak spots of our economy on which the Government has no control. Moreover, our development resource mobilization is significantly dependent on foreign aid. Whereas the average GDP growth rate during the Third Five-Year Plan was estimated at 5.4%, during the first 2 years the growth rates will be 4% and 4.4% respectively. In order to raise per capita income and to reasonably protect the major socio-economic objectives of the Plan, it is imperative to improve upon this growth rate. At the same time unsatisfactory level of recovery of agricultural and industrial credit, particularly industrial credit, is still inhibiting new investments in the industrial sector. In this situation, in order to activate the production process and to give an upward push to investments, it is essential to undertake basic structural reforms in the economy. The major elements and areas of this kind of structural reforms have been identified—such as food and agricultural policy, trade and industrial policy, foreign aid and balance of payments policy, matters relating to banks, financial institutions and monetary policy for ensuring flow of resources; strengthening the efforts for raising domestic resources, and policies regarding Government expenditure in the development and non-development sectors. Specific issues in all these areas have been identified and a programme has been taken in hand for appropriate and realistic policy reforms. A substantial part of this programme was reflected in the budget, import and export policies, and the Industrial Policy during 1986-87. Several steps were also taken in the midst of the year as mentioned earlier. The major objectives of this reform programme are to raise the average GDP growth rate to at least 5% in the 3-year period 1986-87 to 1988-89, bring down the rate of inflation to about 7% by 1988-89, gradually reduce the relative dependence of the Government budget and the economy on foreign aid, reduce the balance of payments gap, keep the burden of debt service payments within reasonable limits, and gradually improve the foreign exchange reserves position in the interest of maintaining overall stability in the economy.

Experiences during the year 1986-87 show that in order to successfully undertake and implement this structural reforms programme, the basic precondition will be to keep the food situation stable and under control. Level of food production and supply play a significant part in Bangladesh economy in keeping the overall price level stable; and unless this is ensured, it will be difficult to keep the price level stable in other areas. Over and above, if the price situation is destabilized, it will be difficult to satisfactorily undertake other economic activities—be it investment, exports, imports or the annual development programme. Considering all these, and in order to make the medium term structural reforms programme successful, Government has attached the highest importance to food production and food stocks. A definite programme for improving the supply and stock position of food in the next 2 years has been taken in hand. In this context it is planned to raise the food stocks in Government godowns to a level of 12.5 lac tons at the end of the next financial year, and to raise it further to 15 lac tons at the end of 1988-89. For this purpose, apart from programmes for increasing production and imports with our own resources, discussions have been initiated with major bilateral and international food donors for increasing food supplies.

Efforts have been made to formulate the programmes and policies in the budget for 1987-88 keeping in view these hard realities and problems.

Revised Estimates, 1986-87.

MR. SPEAKER,

8. Before placing the Budget Estimates for 1987-88 I would like to inform the Jatiya Sangshad about the Revised Estimates for 1986-87. Revenue receipts in the original budget were estimated at Tk. 4840 cr. In the revised estimates the figure is Tk. 4717 cr. Tax revenue will be lower by Tk. 248 cr., some reasons for which have been mentioned earlier. Non-tax revenues will increase by nearly Tk. 125 cr. It may be mentioned that though total revenue receipts will be lower than the original estimates, there will be an increase of nearly 15% compared to the actuals of 1985-86.

Non-development revenue expenditure during the year was estimated at Tk. 3740 cr. In the revised estimates it will be nearly Tk. 3956 cr. Whereas revenue surplus in the budget was estimated at Tk. 1100 cr., in the revised estimates it will go down to Tk. 761 cr. On this basis the overall surplus of the non-development budget will be Tk. 631 cr. in place of the original estimate of Tk. 735 cr. The major reasons for decline in the surplus are increase of grants under several heads, increased expenditure on account of relief and social welfare activities, post-budget decision to increase grants to non-Government educational institutions thereby increasing total expenditure for the education sector, increase in expenditure for foreign loan repayment and interest payment, increase in administrative and maintenance expenditure for other ministries/departments including the Ministries of Defence and the Railways. I want to mention specially about the Railways. During 1985-86 deficit of the railway budget was Tk. 116 cr. During the current year the Railway Ministry undertook a programme for reducing the deficit to Tk. 49.41 cr., but in the revised estimates the deficit will increase to nearly Tk. 104 cr.

The Annual Development Programme for 1986-87 was approved at Tk. 4764 cr. This envisaged direct expenditure of Tk. 2250 cr., including internal resources of certain autonomous bodies, and expenditure as project aid of Tk. 2514 cr. Foreign aid utilisation declined in the first half of the year due to slow down of imports. It now appears that internal resources of some autonomous bodies will also come down from Tk. 250 cr. to Tk. 200 cr. Due to this, and also due to reduction in overall revenue surplus, the size of the revised Annual Development Programme has been determined at Tk. 4513.38 cr. This will include direct local currency expenditure of Tk. 2024.89 cr. and project aid expenditure of Tk. 2488.49 cr. I have mentioned earlier that during 1986-87 the GDP growth rate is expected to be 4.4%. The estimated growth rates are,— for agriculture 3.6%, industry 7.4%, energy sector 14.5%, physical infrastructure 7.5%, and trade and transportation sector 4.6%.

Background of the budget for 1987-88.

9. The budget proposals for 1987-88 have been prepared taking into consideration realistic formulation of policies in selected important sectors, and along with that measures for realising a higher growth rate through exploitation of the potential of the economy

through new investments. The main objectives are to increase production of the agricultural sector including food, increase in industrial production, and creation of employment opportunities for alleviation of poverty. Another important objective is to increase exports and to create adequate opportunities for the private sector to play its role. The realistic appreciation of the Bangladesh economy makes one thing clear—programmes for increasing investments and production can be meaningful only in the context of a stable economic environment. If economic stability is disrupted, considerable amount of time of the government and of other agencies can be taken up for short term problem solution—as happened during the current year due to deterioration of the food situation. It is also necessary for us to remain aware of the possible changes that may occur in the international environment during the coming one year. In 1986 growth rate of the industrial countries was about 2.6%, and it is projected to come down to 2.25% in 1987. Growth of world trade was 5% in 1986, but next year it is estimated to decline by about 30% to a level of 3.5%. No doubt this will adversely affect the growth prospects of developing countries. According to studies and analysis of international organisations, after 1984 the growth rates of the industrial and developing countries will reach their lowest levels of recent years in 1987-88. There is also a possibility of deterioration in the terms of trade of the developing countries. In fact, in 1986 the real prices of commodities which constitute the major share of developing countries' exports came down to their lowest levels since 1930. There is hardly any possibility of their improvement in the coming one year. Development assistance from the donor countries to the low income countries is on the decline and simultaneously there is a reverse flow of resources from the debt-ridden developing countries to industrial countries. In 1985 the developing countries paid 26 billion dollars to the developed countries on a net basis and this increased to 29 billion dollars in 1986. This reverse flow of resources has created a major problem for the developing countries. In this context if Bangladesh is to maintain the growth of its exports, it will call for structural changes through adoption of realistic policy measures. Some such measures, which have been reflected this year, will be strengthened through the budget proposals for 1987-88. On this basis the export target for the next year has been fixed at 1100 million dollars—about 12% higher than export earnings of the current year. Increased exports naturally reduce availability of goods within the country which tend to put pressure on domestic prices. In order to maintain the supply of goods and commodities within the country at a reasonable level it will be essential to increase production and imports. Apart from import of capital goods, it will be necessary to keep the volume of import of raw materials, spares, essential consumer goods, and over and above that of foodgrains at a satisfactory level. Keeping this in view, import target for the next year has been set at 2700 million dollars. The import and export policies for 1987-88 will be announced at an appropriate time by the end of this month.

10. As in other years, foreign aid will play an important role in our economy in 1987-88 also. The international aid climate is uncertain. Bilateral concessional aid, while stagnant from some sources, is on a declining trend on an overall basis, and such aid is increasingly becoming conditional. In the case of Bangladesh foreign aid inflow may not decline but any possibility of increase will be contingent upon domestic resource mobilisation and appropriate investment programme. It may be mentioned that during the past 4-5 years foreign aid inflow remained uninterrupted in the context of the policy reforms of the Government. Pledges have already been received for the required foreign assistance for 1987-88.

Total foreign aid disbursement for 1987-88 has been estimated at 1670 million dollars which includes \$830 million as project aid, \$590 million as commodity aid and \$250 million as food aid. On this basis of estimated foreign aid disbursement, export earnings, additional resource support for structural adjustment, and projection of imports, it can be said that at the end of 1987-88 also foreign exchange reserves will remain close to \$800 million.

MR. SPEAKER, SIR,

11. While it is possible to be optimistic about the economy in 1987-88 on account of more than one congenial factor, we have to remain conscious and careful about many uncertainties such as, those relating to growth rate of industrial countries, prices of commodities including crude petroleum and petroleum products. We also have to remain cautious that there is no recurrence of the price inflation which took place for some time in the second half of the current financial year. We have to remain prepared to undertake adequate measures promptly if our new and non-traditional exports face adverse developments. We are all aware of the problems that were faced by the garment industry only a little while ago which the industry took quite some time to overcome and also of the wastage of time and resources.

The Budget and the Annual Development Programme, 1987-88

12. On the basis of the projected import programme, existing taxes, duties and fees, etc., it is estimated that revenue receipts during 1987-88 will be Tk. 4915 cr. Tax revenues will contribute Tk. 4140 cr. and non-tax revenues Tk. 775 cr. The principal heads under which revenue receipts will increase are income tax, excise duty, land development tax, stamp duty and import duty. Revenue receipts from the nationalised sector and financial institutions will go down significantly next year.

Revenue expenditure for 1987-88 has been estimated at Tk. 4481 cr. including Tk. 253 cr. as unexpected expenditure, a major part of which will be required for giving some benefits to government servants. Tk. 40 cr. will be required for maintenance and operation of completed development projects. Like the current year the education sector will receive the highest single allocation in 1987-88, estimated at Tk. 775.62 cr. Expenditure for the health sector will also increase by about 48 cr. over the original budget estimate for the current year. Other heads under which revenue expenditure is estimated to increase are interest on domestic and foreign debts, general administration, foreign affairs and defence. The railway budget is estimated to have a deficit of almost Tk. 106 cr, somewhat higher than that of the current year. This is a matter of concern and there are more than one reason for it. One of the important reasons is that the rate of increase of receipts is falling behind the rate of growth of administrative and operational expenses.

On an overall basis revenue expenditure is estimated to increase by about Tk. 525 cr. or 13%, and revenue increase has been estimated at Tk. 198 cr. or only 4.2%. This inconsistency between the growth of revenue receipts and revenue expenditure is a major weak spot of our budget and budgetary policy. In this situation highest priority needs to be attached to containment of non-development expenditure in future, and measures for increasing government revenues. I shall come back to this subject later.

Adjusting receipts and expenditure, revenue surplus will be Tk. 434 cr. Net deficit in the capital account of the non-development budget will be nearly Tk. 184.89 cr, a major factor being increase in the repayment liability for domestic and foreign debts.

The food budget for the next financial year has been worked out with considerable care. Food imports have been estimated at a little over 20 lakh tons and domestic procurement target has been fixed at 4 lakh tons. Distribution of food from government stock has been estimated at 19 lakh tons including ration and open market sales. Out of this 7 lakh tons will be distributed for the food for works programme and vulnerable group development programme. If the estimated production, imports and domestic procurement programmes materialize, food stocks in the hands of the Government will increase by almost 5 lac tons during the year and end-year stock is expected to be over 12 lakh tons. Total expenditure under the food budget has been estimated at 1603 cr. taka including Tk. 721 cr. under food aid and Tk. 882 cr. from Government's own resources. Taking into consideration the expected receipts from sales, increase in stocks, food for works programme and other expenditure, Tk. 150 cr. is expected to be available for financing the Annual Development Programme. The overall impact of the food budget on the revenue budget will be a deficit of Tk. 99 cr.

13. I have earlier referred to the enhancement of benefits available to Government employees. This relates to the grant of dearness allowance. It will be granted to all civil and Government employees as well as other public sector employees and workers who are paid under the Modified National Scales and IWWPC scales. The allowance will be calculated at 10% of the basic pay or wages, subject to upper and lower limits of Tk. 400 and Tk. 75 per month respectively. This benefit will also be given to pensioners at the rate of 10% of their net pension. The additional expenditure due to the grant of dearness allowance to Government employees and pensioners, to be met from the Governmental budget, has been estimated at Tk. 148 crores. The additional expenditure of other public sector organisations will be met from their own resources.

There is no doubt that in the face of increase in the cost of living it is necessary to raise income of the government employees and of officers, staff and industrial workers of the nationalised sector. Unless the public sector organisations can meet the additional cost through improvement of their efficiency of administration and management, and income, through increased production and reduction of wastage, it will be unavoidable to raise the prices of goods and services produced by them. There has to be a direct linkage between increased production and income determination, and this has to be realized by all. I want to emphasize that it will be necessary to expand production and particularly exports, by keeping our exportables competitive in an environment of stable prices. This will be a major precondition for the success of the investment and development programme envisaged for 1987-88. In this context there can be no difference of opinion about maintaining discipline in the public sector industries and about maintaining a harmonious relationship between the employers and the employees in the private sector also. If the increase in wages and salaries becomes out of line and incompatible with increase in production, viability of industries will be affected and new investments will be discouraged. It is the responsibility of all concerned to remain conscious of this important implication.

14. The National Economic Council has approved an Annual Development Programme of Tk. 5046 cr. for the next year. 1987-88 will be the third year of the Third Five-Year Plan. The ADP for 1987-88 has been prepared keeping in view the implementation of planned projects, progress of ongoing projects, the major objectives and targets of the Plan, sectorwise priority and the relevant structural policies. The Planning Commission has circulated a separate document showing the sectorwise and projectwise allocations under the ADP. Consistent with the major objectives of the Plan, priority has been given to investments in the field of agriculture, rural development, water resources development, health, family planning and population control programme, expansion of power and gas through development of indigenous natural resources, expansion of education facilities, and creation of employment opportunities in the industries sector. Food production target for 1987-88 has been set at 175 lakh tons—Aus 32 lakh tons, Aman 86 lakh tons, Boro 43 lakh tons and wheat 14 lakh tons. The latest estimates for the current year's food production is 165.5 lakh tons showing an increase of about 5.5% for next year. It is necessary to mention one thing here. In 1984-85 food production was 161 lakh tons, and in 1985-86 also total production remained stagnant at 161 lakh tons. Over the last two years, therefore, increase in food production has been only about 4 lakh tons which means that the rate of increase in food production was below the rate of growth of population, whereas in the previous 4-5 years the average increase in food production was about 3.5%. Therefore, maximum efforts will have to be made by all concerned organisations including use of public and private sector agencies for attaining the food production target of 1987-88. In particular, in the field of distribution of agricultural inputs and expansion of irrigation facilities, unhindered opportunities have to be ensured for all public and private sector agencies. It is also necessary to undertake, on a priority basis, a total evaluation of the existing agriculture sector policies. The Ministry of Agriculture and the Planning Commission have already taken necessary initiatives in the matter. Every year hundreds of crore taka are being spent (442 crore in FY '86-87, 560 cr. in FY '87-88) through the Water Development Board and action will have to be taken by the concerned agencies for full utilisation of the irrigation facilities that are being created through these investments.

15. In the ADP for 1987-88, 828 projects have been included of which there will be 684 investment projects, 54 projects to be implemented with internal resources of some public sector organisations and autonomous bodies, and 90 technical assistance projects. Some important components of the annual development programme will be:

- (a) In pursuance of the decentralization policy of the Government, Tk. 170 cr. has been allocated for Upazila infrastructure construction and Tk. 200 cr. as development assistance grant to the Upazila Parishads;
- (b) Tk. 883 cr. allocated for generation, transmission and distribution of power;
- (c) Tk. 300 cr. allocated for the education sector;
- (d) Tk. 279 cr. allocated for the health and family planning sector;
- (e) Tk. 357 cr. allocated for completion of the Chittagong Urea Fertilizer Factory;
- (f) Tk. 88 cr. allocated for speedy implementation of the Teesta Barrage Project;
- (g) Tk. 50 cr. allocated for the special development programme of the Chittagong Hill Tracts;

(h) Tk. 45 cr. allocated for speedy implementation of the Barindh Integrated Development Project;

(i) Tk. 30 cr. allocated as development assistance to the Pourasabhas.

Phase-I study of the Jamuna Multipurpose Bridge Project including studies regarding possible location of the bridge have been completed. Necessary provision has been made in the ADP for 1987-88 for the second phase of the study, i.e., detailed engineering design, preparation of bid documents, bid evaluation, etc. Work on this phase has already commenced. Preliminary discussions have already been initiated with potential donor countries and organisations for this project.

Every year a number of development projects are implemented outside the ADP by the BRDB, financial institutions and other autonomous bodies. For these activities a total programme of Tk. 240 cr. will be taken up next year, including Tk. 128 cr. through project aid. Financial allocation for the food for works programme and the vulnerable group development programme will be nearly Tk. 492 cr. As already mentioned, 7 lakh tons of foodgrains has been earmarked for this purpose.

On the basis of investment through the annual development programme, activities of the nationalised sector, and expected investments in the private sectors, the GDP growth rate for 1987-88 has been estimated at 5.1%—3.7% for agriculture, 8.7% for the industries sector, 13.5% for the energy and gas sector, 6.1% in the transport sector and 4.6% for the other sectors.

MR. SPEAKER,

16. Policy reforms and structural changes can be successful only in the context of a growing economy. Domestic resource mobilisation efforts can succeed only in the context of growth in production. But it has to be ensured that in the programme for structural reforms and adjustments, opportunities remain open for the weaker groups in the society and that there is progress towards alleviation of poverty through generation of employment opportunities. In the context of Bangladesh the first step towards removal of inequity and alleviation of poverty is to create employment opportunities for the poor in the rural areas. Attention was given to this in the Budget of the last year and the current year. The activities through which this objective will be pursued through the ADP and the Budget for 1987-88 will be increased investment in agriculture and rural development, expanded irrigation facilities to help the small and marginal farmers, assistance to small scale industries and production programmes of the weavers, low-cost housing programme, expansion of availability of safe drinking water, expansion of primary education facilities, expansion of programmes in the health sector, strengthening of the family planning and population control programmes, and creation of employment opportunities for women and youth through special efforts. Towards these objectives nearly Tk. 1560 cr. will be spent through the ADP and the non-development budget. Allocation for the food for works programme and the vulnerable group development programme will be Tk. 492 cr. On this basis expenditure for poverty alleviation and employment generation in the rural areas will be about Tk. 2052 cr. Including the food for works programme, nearly 28% of development expenditure will be directed towards alleviation of poverty and creation of employment opportunities.

17. Two other methods can be identified for alleviation of poverty. One of these is to create direct employment opportunities through increased public and private investments, and the other is to provide

institutional resource support to the poor and landless in the rural areas to help their efforts towards self-reliance. Expansion of education and health facilities will supplement these efforts.

A new programme is expected to be added the next year to the efforts for creation of direct employment opportunities through increased investments. The main objective will be to increase investments for comprehensive infrastructure development in the rural areas. Construction of rural roads for improvement of communication, feeder roads, Upazila connecting roads, canals and embankments for drainage and irrigation, small culverts and bridges, construction and reconstruction of primary schools, union level health and family welfare centres, expansion of rural electrification, improvement of 'huts and bazars' as well as construction of godowns, can create considerable employment opportunities if a co-ordinated and comprehensive investment programme is undertaken. This will help to reduce cost of agricultural production, increase production, facilitate marketing and will also help to increase the demand for food which will have a beneficial effect on agricultural production on an overall basis. The food for works programme can be easily dovetailed with such a programme. Preliminary work in this connection will be taken in hand in near future and project preparation will be undertaken next year. This will, in fact, be a larger and expanded version of rural works programme currently under implementation in several parts of the country. A phased Upazila-wise programme of this type can be expanded over the country in due course.

18. It is necessary to say a few words about the second method of employment creation. Under this programme the Grameen Bank, the Swanirvor Credit Programme and the Bangladesh Rural Development Board are playing active roles. The principal aim of the Grameen Bank is to bring the landless and assetless people under an institutional framework and to advance credit without collateral so that they are saved from the clutches of money-lenders and can use the bank loans for income earning activities and thus become self-employed. It is noteworthy that the expansion programme of the bank is being successfully implemented without sacrificing the quality of operation, and the recovery rate of loans has been maintained at over 98%. By the end of 1987 a total amount of Tk. 228 cr. will be disbursed as loan which will benefit nearly 350000 poor and landless people in 7300 villages, out of whom nearly 75% will be women. I hope that the example that has been set by the poor and the landless people in the rural areas in making good use of bank loans, will provide an important lesson to those who have borrowed money from banks and financial institutions for agricultural and industrial purposes, but are defaulting in repayment of the same.

19. The Bangladesh Rural Development Board has made noticeable progress under their 'Rural Poor Programme' along with their activities for agricultural development. Under this programme landless and assetless people as well as skilled and semi-skilled persons are getting opportunities for self-employment as they are being organised through the two-tier co-operative system for training and supply of capital. Under this programme 33 income generating activities have been identified and nearly 6.5 lakh members of the societies are being involved in these activities. A recent survey shows that members of the Bittahin Samabaya Samity who are involved in productive activities have all been able to increase their average income; their food habits have changed, and they are getting incentives for undertaking income generating activities. Needless to say that this

programme is still limited to a small part of the country compared to the total number of assetless people. But experience shows that expansion of this programme can help in the effort towards alleviation of poverty.

According to the Planning Commission on the basis of investments under the annual development programme, productive activities of the public sector organisations, and private sector investment activities in various sectors, employment opportunities will be created for nearly 9.5 lakh people in 1987-88 compared to 7.9 lakh in the current year.

20. I intend to say a few words about the monetary and credit policy which is an important supporting measure for investment, production, exports and imports. On the basis of data available for the first 10 months of the year it appears that broad money will increase by about 14% during the current year and domestic credit will expand by about 8%. The rate of inflation as measured by consumer price index is estimated to be a little over 11% during the year. Increase in the price level of this order, in spite of a slow down in money supply and credit expansion, will be mainly due to the increase in price of foodgrains and other food items. Therefore, the monetary and credit management will have to be conducted with great care until production and foodgrain supplies and supply of other food items improve to a stable level. Otherwise there is a danger of the price situation reaching undesirable level. The Bangladesh Bank is taking appropriate measures in this respect.

During 1987-88 the GDP growth rate is estimated at 5.1%. The Central Bank has determined the targets for credit expansion necessary for supporting the productive activities in various sectors on the basis of careful review and analysis. The projection of export growth during the next year will normally put pressure on money supply. Increase in the supply of necessary goods and commodities through increased domestic production and simplified import procedures will help maintain balance in this context. At the present time the Central Bank has determined a target of 11.1% for domestic credit expansion and 15.1% for broad money supply for the next year. These targets will be appropriately modified in the light of the actual growth during the current year. On the basis of projections described above, the rate of inflation during 1987-88 is estimated to be about 9%.

For 1986 the target for agricultural credit distribution was set at Tk. 1075 cr. On the basis of experience of the first 11 months it appears that actual disbursement may not exceed Tk. 700 cr. One reason for slow down in the rate of disbursement is the introduction of the Pass Book system. Though the Pass Book system was introduced in 1985-86 a large number of potential borrowers are yet to obtain their pass books which has lowered the disbursement of agricultural credit. The banks have started a programme of action for popularising the use of Pass Books among the borrowers. In view of the importance of credit in stepping up the agricultural production, the lending banks have been instructed to strengthen their efforts for disbursement of loans along with their recovery programmes. The target for disbursement of agricultural credit for 1987-88 has been set at Tk. 1050 cr.

During the current year efforts were strengthened for recovery of overdue industrial and agricultural credits in the interest of restoring credit discipline. These efforts will continue unabated next year as the recovery position is still not satisfactory. Needless to say that

because of this, new investments through the financing institutions have fallen below targets. Parallel to continued efforts for recovery of overdue industrial loans, an expanded programme for industrial credit disbursement has been taken in hand by the development financing institutions and the different joint venture investment companies for 1987-88. Arrangements for financing are being made from a number of new sources including provision of cash foreign exchange to the development financing institutions. In order to expand economic activities Government has taken measures for encouraging small and cottage industries in the recent months. The rate of interest for term lending in the field of small and cottage industries has been fixed at 10% per annum. Very recently the Bangladesh Bank has instructed all scheduled banks to earmark 5% of their loanable funds for disbursement in the small and cottage industries sub-sector. The banks have also been instructed to open special counters for small and cottage industries in their district level offices. Finally, keeping in view the importance of the small and cottage industries sector, Government has decided to set up a Small Scale Industries Bank on a joint venture basis.

21. Like the national economy as a whole the banking and financial sector in Bangladesh is also in the primary stage of development. This sector has moved ahead in the past 15 years after liberation through various ups and downs; and the history of these years consists of many successes as well as failures and lost opportunities. After 1982 the Government concentrated attention afresh on the problems and requirements of the banking and financial sector. Apart from taking some initial measures the Government set up a National Banking and Credit Commission in the middle of 1984 in order to undertake a complete and self-contained review of this sector. The Commission submitted its report to the Government at the end of June, 1986. The recommendations of the Commission were made public earlier through newspaper and other media. The Government has taken in hand a programme of implementation of the recommendations in a phased manner on the basis of detailed examination. One of the basic objectives behind the recommendations is to make the banks and financial institutions more self-reliant in the matter of management and raising of resources, and also to ensure that their operations successfully reflect a clear picture under greater and improved supervision of the central bank.

Like most developing countries the greatest challenge that Bangladesh faces in the banking and financial sector is to maintain financial balance between the need for adequate credit support for development and socio-economic objectives, as well as the need for maintaining economic stability keeping in view its impact on the price level. This conflict of objectives is a major problem for many developing countries in their economic management. As in many other developing countries we are yet to have a satisfactory and dependable co-existence of these two activities in Bangladesh. The result is that credit expansion and contraction has alternated time and again, borrowings of the commercial banks from the central bank have increased in an undesirable manner, large amount of overdue loans have accumulated in the private sector as well as in some public sector organisations, and the self-reliance of the banking institutions in the matter of management and mobilization of resources has been eroded. On the one hand this is a direct reflection of many government decisions, and on the other default in repayment of bank loans has compounded the problem. It is absolutely essential to correct this undesirable situation as otherwise the role of the banking sector in development activities and satisfactory management of the national economy will continue to be weakened. In order

to prevent this undesirable development, the Government has already taken in hand preliminary work for a broadbased reform of the banking and financial sector. The diverse recommendations of the banking Commission will form the basic framework of the reform programme and realistic and new measures will be taken in the light of detailed investigation and examination keeping in view the basic objectives. The major goals of these measures will be to improve the self-reliance of the banking institutions as a link between depositors and borrowers, to make their accounting system more realistic, to strengthen their sense of responsibility in the matter of management, and over and above, to ensure proper co-ordination and balance between lending activities and socio-economic development objectives through a stable economic environment.

22. One thing that has received serious consideration in the programme of reform of administrative and operational guidelines of the banks and financial institutions is that for fixing deposit and lending rates the central bank will gradually establish economic criteria as the basic justification. As this policy is fully established, if in national interest the Government decides to provide concessional lending rate to ensure greater flow of bank credit to a particular sector/sub-sector, then it will be natural to consider compensation to the banks from Government revenues. During the current year the banks have faced substantial loss of interest income from the Government decision to waive interest on agricultural credit. One-third of this loss will be paid to the banks over the next three years starting from 1987-88, another one-third will be borne by the central bank, and the remaining one-third will be taken over by the banks themselves. Similarly, the real cost of setting up a 'buffer stock' for jute, i.e., interest on bank loans to finance the stock, will be borne for the present by the Government from the revenue budget. The jute industry has been allowed to repay their bank loans on account of the losses suffered in 1984-85 over a period of four years at a simple rate of interest. Concessionary arrangement will also be made for financing the loss of the jute industry incurred during 1985-86. The industries will be allowed to repay their bank loans on this account over a period of five years after a three-year grace period. But this will be subject to the condition that the amount of loss of the mills will have to be acceptable to the concerned banks on the basis of their audited accounts. Those mills who will repay their loans on schedule on the basis of this arrangement, will be given full rebate of interest. For this purpose the banks will be compensated from the revenue budget. For these three arrangements, a provision of Tk. 60 cr. has been made in the revenue budget for 1987-88.

Financing of the Annual Development Programme for 1987-88

23. Under the Annual Development Programme for next year determined at Tk. 5046 cr., Tk. 2770 cr. will be spent as project aid including reimbursible local cost, and Tk. 2276 cr. will be spent directly as local currency expenditure. Of the latter, Tk. 175.49 cr. will be available from internal resources of several public sector organisations and autonomous bodies. The balance will have to be met from the overall surplus of the revenue budget, counterpart funds of commodity aid, receipts from open market sales of foodgrains, and resources raised through new revenue measures. The detailed break-up of resource mobilization for the ADP is as follows:

	Taka in crore.
Revenue surplus based on existing taxes and duties:	434
Net outcome of capital transactions in the non-development budget:	-184.89
(a) Total deficit:	-288.40
(b) Credit against resources for structural adjustment:	103.51
Overall outcome of food operations:	-99
Overall surplus of the revenue budget:	150.11
Internal resources of certain Autonomous Bodies:	175.49
Total domestic resources:	325.60
Receipts from disbursement of foreign aid:	4304.00
(a) Project aid (including reimbursible local cost):	2554
(b) Commodity aid:	1600
(c) Sale proceeds of food aid:	150
Total resources available for the Annual Development Programme:	4629.60
Size of the Annual Development Programme:	5046
Gap in resources:	416.40

This gap is proposed to be met with new revenue and fiscal measures.

24. Mr. Speaker, Sir, it has not been possible for us to realize the targets of any of the development plans since our independence. It calls for some thought. Undoubtedly changes in the international environment are partly responsible. Immediately after the First 5-year Plan was launched, the international economic environment faced great turmoil due to unprecedented rise in the price of oil. Soon after the Second Five Year Plan was launched the second 'oil shock' made the international economic situation completely uncertain, and the world was faced with the worst recession since the depression of the 30's. As we launched our Third Five Year Plan, real prices of commodities exported by the developing countries including Bangladesh reached their lowest level in 50 years. Undoubtedly adverse impact of these developments have been reflected in our economy. But we also failed to attain the targets for domestic resource mobilization under every development plan. In the international field growth rates of most countries in the 70's were lower than those in the 60's, and it slowed down further in the 80's. But as one of the poorest countries of the world we cannot consider our recent rates of GDP growth as acceptable, and it must be improved. We must change the present situation where a large part of our people live below the poverty line. In the 4 years up to 1985-86 real wage of workers in the rural areas have gradually improved. This trend has been maintained during the current year. But unless we can bring down the rate of price increase from the present level next year and thereafter, there is a danger of erosion of the gains in this field. I have

already referred to the stagnant situation in the agricultural sector. We must come out of this in order to increase per capita income in the rural areas. I have broadly mentioned earlier the programmes that have been and will be taken up in this context.

25. Industrial growth suffered in 1985-86. Though industrial production moved upwards during the current year, new investments fell below expectations. One of the important reasons is accumulation of overdue industrial loans. Legal and other administrative measures taken by the Government in this respect will continue unabated. At the same time it was felt necessary to reorient our industrial policy in order to make domestic production competitive, and all possible administrative and financial assistance have to be given to this sector. These efforts were strengthened during the current year. There is no alternative to this as the industrial sector has the maximum potential for employment generation after the agricultural sector. A number of proposals have been made in the fiscal measures for the next year to help industrialisation. The sum total is that supply of goods and services within the country must be expanded through agricultural and industrial production by making maximum use of existing capacity and new investments. This will call for joint efforts of the public and private sectors. Our agricultural sector is almost entirely dependent on the private sector. According to the Government policy the role of the private sector will expand in the industries sector as well. If the private sector is in a position to improve the supply of goods and services within the country it will be beneficial for all. But there is no scope for under-estimating the role of the public sector in the economy. Needless to say that the contributions of these two sectors to the economy will have to be evaluated on the basis of efficiency in the use of resources. It needs no repetition that increase in agricultural production is a precondition for growth of industrial production. Another subject which has to be highlighted at the cost of repetition is the family planning and population control activity. We have to conduct this programme very carefully in order to reach our targets. Undoubtedly there has been significant progress in this direction, but there is no alternative to further speeding up and strengthening of the programme activities. The Hon'ble President has already cautioned the nation about the serious situation that the country and the nation will face unless the rate of growth of population is brought under control. I would like to draw the attention of all to this caution.

26. Near-stagnancy in national savings is a matter of great concern. It is not possible to raise production without increasing savings and investments. How can we increase savings? How can we increase investments? Mr. Speaker, Sir, this problem is a national problem and this challenge is a national challenge. It is not the problem of any particular government. It is a national challenge and responsibility to raise the level of savings, investments, production and income in the rural areas. I am firmly of the belief that it is possible to realize these objectives on the basis of the potential and internal strength of the economy. Bangladesh's economy is not a hopeless one. In the very recent years it has been possible for us to raise agricultural and industrial production; though the savings rate is at a low level, it has been possible to gradually improve the rate in the very recent years; significant possibilities have been noticed in the field of exports, particularly new and non-traditional exports—be it in the industrial sector or the agricultural sector.

[Text]

Fortunately, because of the economic policy reforms undertaken by the Government in the past 5 years, Bangladesh's macro-economic framework is much more stable compared to many other low income and least developed countries. It is definitely possible to raise the level of investment and production by taking advantage of this situation.

27. Mr. Speaker, Sir, it is a matter of great regret that the tax-GDP ratio is one of the lowest in the world in the case of Bangladesh. Foreign assistance as a proportion of development expenditure is perhaps one of the highest in the world in our case, and we cannot be proud of this. In this context if the development efforts have to be continued, if growth of national income is to be ensured, there is no alternative to raising domestic resources and maximising the use of foreign assistance. In fact, because of the low rate of domestic savings, growth in investments in the past years has been mainly through foreign savings.

Three things need to be identified in order to raise domestic resources:

- raising revenue through new fiscal measures;
- increasing surplus of public sector organisations;
- limiting the growth of non-development expenditure.

I have tried to attract the attention of all concerned to these three issues in the past, but it has become critical at the present moment. According to the planned investment programmes under the Third Five-Year Plan, in 1987-88 the size of the Annual Development Programme should have been Tk. 6500 cr. in current prices. But due to unsatisfactory growth of domestic resources and increased expenditure under the non-development budget, the size of the ADP had to be fixed only at Tk. 5046 cr. There has been similar shortfall in the first two years of the Plan also, and the Government has made efforts at different times to highlight the need for raising more domestic resources in this context. The main theme is that if we are to make satisfactory progress towards the socio-economic objectives of the Plan, then there is no escape from raising taxes and revenues. Raising domestic resources has double benefit—it helps to raise investment and also to make greater utilization of foreign aid, particularly project aid—leading to acceleration of investment on an overall basis.

SECOND PART

FISCAL MEASURES

MR. SPEAKER,

I shall now turn to the fiscal measures and revenue projections for next year. Bulk of Government revenues comes from various taxes. Therefore, increase in tax revenue is unavoidable for mobilisation of additional internal resource. Contribution of the agricultural sector towards Government revenue is rather insignificant. As a result, it becomes difficult to expand the tax base. In point of fact, the dichotomy in the Government's policy perception to increase revenue and, at the same time, encourage investment and production may, in the short-term, appear to be conflicting in nature.

Fiscal policy in the preceding few years has, therefore laid greater emphasis on restructuring the revenue base, and our effort to make the tax system more dynamic by making levy and collection of taxes easier and more rational, will continue.

Indirect tax :

Customs duties :

2. Although the major portion of tax revenue comes from customs duty and sales tax, this year's revenue policy has been formulated with a different perspective. These two taxes have not been considered to be just a source for raising revenues; rather, steps have been taken to use them also as a medium for strengthening the base of the economy by accelerating industrialisation, reducing dependence on imports and attaining self-sufficiency in the production of industrial goods. It is hoped that this will help diversify investment in industries, increase production, expand employment and reduce the price level markedly. Side by side, effective measures have been taken to check smuggling which have already started yielding results. With the increase of local industrial production, volume of export and trade will also expand.

3. One of the main objectives of the 1987-88 budget is to provide opportunities for rapid industrialisation and enable domestic products to be more competitive with imported goods by reducing customs duties and sales tax on industrial raw materials. It has also been proposed to rationalise the rate of customs duties and sales tax on consumer goods and other finished products so that local industries can play a role in maintaining price stability and checking smuggling. Before taking these steps, a number of studies were taken up. The Government also appointed Expert Committees to evaluate the finding of these studies. The Committees submitted reports to the Government after a thorough scrutiny of the basic premises of these studies and also undertook on-the-spot surveys. The Committees recommended substantial reductions in the rates of customs duties and sales tax on raw materials of selected industrial sectors. These proposals were found to be acceptable by the Government. The sectors concerned are:

- (a) steel and engineering industry;
- (b) textile industry;
- (c) chemical industry; and
- (d) road transport sector.

4. Growth of Steel and Engineering sector is a pre-condition for expansion of other industries. In order, therefore, to place this sector on a firm footing, it is proposed to reduce import duties on its raw materials substantially. The proposals are as follows:

- (a) B. P. sheet, a raw material for the manufacture of steel products including C. I. sheet was chargeable to two rates of duties—one at the rate of 50 per cent with 20 per cent sales tax and the other at 20 per cent duty with 10 per cent sales tax. In a mid-term revision, these two rates have been unified at 20 per cent import duty with 10 per cent sales tax. It is proposed to continue the revised rates. As a result, the cost of production of steel products including G. P. sheet and C. I. sheet will substantially be reduced and it is expected that these will be more easily available and also at a cheaper price.

- (b) Sales tax chargeable on G. P. sheet is proposed to be reduced from the existing 20 per cent to 10 per cent while the rate of import duty on it at 50 per cent will remain unchanged. The regulatory duty chargeable on it at present at 10 per cent will also be withdrawn with effect from the 1st of July, 1987. Simultaneously, the rate of sales tax on C. I. sheet is also proposed to be reduced from the existing 20 per cent to 10 per cent while keeping the rate of import duty on it unchanged at 50 per cent.
- (c) The import duty now chargeable on M. S. strip, used in the manufacture of cycle rims, G. I. pipe and similar other industries is proposed to be reduced from 100 per cent to 30 per cent. Sales tax at 20 per cent will, however, continue. The duty on M. S. rod is also proposed to be reduced from 100 per cent to 50 per cent while the chargeable rate of sales tax at 20 per cent will remain unchanged.
- (d) M. S. billet at present is chargeable to import duty at 50 per cent with no sales tax. In order to rationalise the duty structure on it with other comparable intermediate goods used as industrial input, it is proposed to impose sales tax at 20 per cent and to reduce the duty from the existing 50 per cent to 30 per cent.
- (e) The present rate of duty of 50 per cent chargeable on tin sheet, silicon sheet, stainless steel sheet, high carbon steel and high speed steel is proposed to be reduced to 20 per cent in respect of silicon sheet, high carbon steel and high speed steel. Sales tax on high carbon steel and high speed steel is proposed to be reduced to 10 per cent while on silicon sheet it will be wholly exempted. The duty on tin sheet and stainless steel sheet is proposed to be reduced from existing 50 per cent to 30 per cent while the sales tax is to remain unchanged at 20 per cent. As a result, metal containers and other cans, electric transformers, strainer for deep tube-well, cutleries, crockeries of stainless steel, tools and equipments manufacturing industries will be benefited.
- (f) In order to meet the increasing demand of electric wires and cables, sales tax on copper wire is proposed to be reduced to 10 per cent while sales tax chargeable now at 20 per cent on its raw material copper rod is proposed to be wholly exempted. The present rate of duty on copper wire at 50 per cent and copper rod at 20 per cent will remain unchanged. As a result, the production cost of electric motor, transformer, electric fan, wires and cables, etc., will be reduced.
- (g) Efforts have been made to create an environment for fair competition by reducing the import duty on electric motor, transformer and choke with the hope that the consumers will be able to enjoy the benefit arising out of the substantial import duty reductions on raw materials. Duty on these items have been proposed to be reduced from the existing 100 per cent to 50 per cent while retaining the sales tax intact at 20 per cent.
- (h) Import duty on aluminium sheet, plate and strip is proposed to be reduced from existing 50 per cent to 30 per cent while sales tax chargeable at 20 per cent will remain unchanged.

As a consequence of these measures, pilfer proof cap, collapsible tube and other aluminium based industries will be benefited.

- (i) Duty on glass sheet of 5 mm or more in thickness normally used in doors and windows, is proposed to be reduced from the existing 100 per cent to 50 per cent while the sales tax chargeable on it at 20 per cent will remain unchanged.
- (j) Import duty on brass tube and brass sheet, raw materials for the manufacture of hand operated agricultural spray machine, is proposed to be reduced from the existing 50 per cent to 30 per cent. Sales tax will be totally exempted.
- (k) Components and parts of electronic goods are now chargeable to duty at 50 per cent with 20 per cent sales tax. Taking into consideration that development of electronic industries will create job opportunities in the country and considering prospects of export, and to discourage the smuggling of

electronic goods, import duty on electronic components and parts imported in disconnected form is proposed to be reduced from different high rates to a flat rate of 10 per cent.

In order to avail the above concessionary rate, the components shall have to be imported in disconnected form. Import duty at the rate of 30 per cent will, however, be chargeable if the electronic components and parts are imported in the so-called CKD form or in kit form.

Chittagong Steel Mill is the only industry of its kind in the country where M. S. billet is manufactured from pig iron. But, re-rolling mills generally use low priced scraps of old ship in place of billets. The steel mill is, thus, facing a great difficulty in marketing its principal products namely, billets and plates. To solve this problem, the Mill is trying to improve its efficiency and simultaneously, as an initial step, Government proposes to grant subsidy to the extent of 10 per cent and 15 per cent of the processing cost of billets and plates, respectively. This subsidy will, in its entirety, be passed on to the consumers through reductions in the sale prices. Around Taka 15 crore will be needed during the next fiscal year on account of this subsidy.

The proposed reductions in the rates of import duty and sales tax on the raw materials of the steel and Engineering sector will entail substantial revenue loss. On the other hand, the production cost of goods will be substantially reduced. I hope that the entrepreneurs will extend the benefits to the general consumers through price reductions.

5. (a) Building up of infrastructure is a pre-requisite to the development of a country. Expansion of road transportation is therefore indispensable. During the last few years, efforts were directed towards encouraging investment in this sector by way of reduction of import duty and sales tax with the aim of building up a speedy and safe system of passenger transport by road. During the middle of this fiscal year, concessions were enlarged by way of complete exemption of import duty and sales tax on CKD bus and mini-bus. On the other hand, import duty on CBU/SKD bus was reduced from 50 per cent to 20 per cent while on CBU/SKD mini-bus, the duty was lowered from 20 per cent to 10 per cent. Sales tax exemption was allowed to

continue in both the cases. Concessions admitted to bus, mini-bus and auto-rickshaw have been proposed to be kept unchanged during the next fiscal year.

(b) In order to reduce maintenance cost of transport, it is proposed to reduce existing import duty on spare parts of motor vehicles from 100 per cent to 50 per cent. This concession will mainly be applicable to identifiable metallic spare parts falling under specific headings of tariff. Needless to mention, concessions proposed in the steel and engineering industries sector will reduce the cost of production of these spare parts manufactured in the country. On similar considerations, import duty on marine engine shaft and gear box is also proposed to be reduced from 100 per cent to 20 per cent, thereby making these rate uniform with other spare parts of marine diesel engine.

(c) 50 per cent import duty and 20 per cent sales tax now chargeable on bus/mini-bus tyre-tube is proposed to be reduced to 20 per cent and 10 per cent respectively. The tariff value now applicable on tyre-tube is also proposed to be lowered by 5 per cent. It is hoped that these measures will attract more investment in vehicles for passenger transport by road and reduce the operation cost to a great extent.

(d) Fuel consumption is relatively less in motor cars having engine capacity up to 850 c.c. Further, being relatively less costly, import of such car, rather than bigger ones, indirectly helps conserve foreign exchange also. Considering all these, it is proposed that the sales tax chargeable now at 20 per cent on motor cars having engine capacity up to 850 c.c. be withdrawn. Import duty at 50 per cent will, however, remain unchanged. In view of this measure, and also because of the large scale mis-use, the existing concession on taxi-cab is proposed to be withdrawn.

(e) In order to facilitate marketing and export of fresh vegetables and other goods requiring refrigeration, import duty on refrigerated vans generally applicable at 100 per cent and at 30 per cent concessional rates in respect of frozen shrimp exporting industries, is proposed to be reduced to 10 per cent in general with total exemption of sales tax.

The proposals made in the transport sector, if implemented, will entail substantial loss of revenue.

6. In order to make the country self-sufficient in textiles and also to reduce smuggling of fabrics, the Government, during the last budget, effected drastic reduction of duty on some raw materials of the textile industries as a result of which the industry has made progress. This year too, with the same end in view, import duty on other raw materials has been proposed to be reduced while retaining the concessions already granted. This will have the effect of lowering the production cost of fabrics manufactured in the country and I hope, it will have beneficial effect on the price of the products. Import duty on mixed fabrics will remain unchanged but the tariff value, as far as possible, has been proposed to be fixed in conformity with the international market price.

(a) Regulatory duty now chargeable at the rate of 5 per cent to 15 per cent on single yarn, plied and twisted yarn and sewing thread is proposed to be withdrawn. This proposal will be made effective on and from the 1st of July, 1987 (16th of Ashar, 1394 bangla).

(b) Import duty on stretch nylon yarn and lumi-lurex yarn is proposed to be reduced from 50 per cent to 20 per cent.

Sales tax at 20 per cent will remain unaltered. The duty of metalised zari is also proposed to be reduced from 100 per cent to 50 per cent.

- (c) Reduction of sales tax from the present chargeable rate at 20 per cent to 10 per cent is proposed on textile dyes. In order to facilitate assessment and clearance, the import duty of other dyes falling under the same tariff heading will also be chargeable to the same rate of duty and sales tax.
- (d) Import duty on woollen fabrics has been rationalised and it is proposed to be reduced from 150 per cent to 100 per cent, while sales tax at 20 per cent will remain unchanged. As stated earlier, import duty chargeable at present at 100 per cent with total exemption of sales tax on mixed fabrics will remain unchanged. But the maximum limit of import will be fixed through the import policy.
- (e) Import duty on acetate tow, a raw material for the textile industries is proposed to be reduced from the present chargeable rate of 50 per cent.
- (f) Jersey and track suit as sportswear is at present importable free of duty and sales tax. In order to safeguard the interests of local industries, a duty at 50 per cent is proposed to be imposed on these. Sales tax will, however, remain wholly exempted.

7. Chemical industry, is a very important industrial sector which supply raw materials to other industries. In order to attain self-sufficiency in this sector and also to enable the local industries to successfully compete with imported goods, proposals have been made to reduce import duty and sales tax on the raw materials of chemical industries substantially. These measures are also expected to discourage smuggling. Reduction in production cost will facilitate the industrialists to market their products at cheaper prices. If this facility is properly utilised, the consumers, I am sure, will be benefited.

- (a) It is proposed to reduce the import duty and sales tax chargeable at present at 50 per cent and 20 per cent on raw rubber and PVC resin powder to 20 per cent and 10 per cent respectively.
- (b) Proposals have been made to reduce the import duty from the present chargeable level of 50 per cent to 30 per cent on thermoplastic moulding compound, refined clay, soda ash, sodium nitrate and borax. On similar considerations, the duty on transfers—a raw material useable in ceramic industries is proposed to be reduced from the existing 50 per cent to 20 per cent. Sales tax on these raw materials will remain unchanged at 20 per cent as at present.
- (c) Import duty on duplex board and plastic tube, pipe, rod is proposed to be reduced from 100 per cent chargeable at present to 50 per cent. On the other hand, import duty on plastic strip is proposed to be reduced from the present chargeable rate of 100 per cent to 30 per cent. The present rate of duty and taxes chargeable on plastic sheet will remain unchanged.

- (d) In order to deter smuggling and to rationalise import duty rates, it is proposed to reduce the duty on unbreakable tumbler glass and oven proof glass table ware from the existing 150 per cent to 50 per cent. On the same argument, duty on tissue, glassine, leatheroid and other special type of paper is proposed to be reduced from 100 per cent to 50 per cent.
- (e) In order to encourage increased production of cement locally and to make local cement competitive with imported cement, the 20 per cent sales tax chargeable on lime stone—a raw material for the manufacture of cement, is proposed to be wholly exempted. Import duty will, however, remain unchanged at 20 per cent.
- (f) Regulatory duty chargeable at present at 50 per cent on tyre-tube of bicycles and cycle rickshaw is proposed to be withdrawn. The measures will be effective with effect from the 1st of July, 1987.
- (g) Fixation of duty at a low level on pulp and waste paper has stood in the way of utilisation of locally available material and these production of pulp. It is, therefore, proposed to revise the duty rates on these items upwards and fix at 30 per cent from the existing 10 per cent and 20 per cent, respectively. It is also proposed to withdraw the exemption of sales tax now applicable on waste paper. As already stated, import duty on duplex board—a raw material for packaging industry is proposed to be reduced to 50 per cent from the existing 100 per cent.
- (h) In order to rationalise duty rates on paint and varnishes, it is proposed to reduce the rate from existing 150 per cent to 100 per cent. On the other hand, the duty rate applicable to raw materials of paint and varnish industries is proposed to be reduced to 30 per cent while keeping the rate of sales tax unchanged at 20 per cent.
- (i) It is proposed to exempt customs duties and sales tax wholly from beverage concentrate and crown cork useable only in beverage industry as it is proposed to subject soft drinks to excise duty based on capacity.
- (j) It is proposed to introduce measures to exempt rayon pulp and other raw materials of Karnafully Rayon Complex from the whole of customs duties and sales tax.
- (k) It is proposed to impose concessional rate of import duty with total exemption of sales tax on certain importable basic chemicals. The items which come under this proposal are: alum to be chargeable to duty at 20 per cent, citric acid and dextrin to be chargeable to duty at 2.5 per cent and felt cleaning agent to be chargeable to duty at 20 per cent.
- (l) In harmony with the import duty rate applicable on parts of batteries, the rate of import duty on spare parts of accumulator is proposed to be revised upwards from existing 20 per cent to 50 per cent. On the same analogy, the import duty rate on carbon rod, a raw material for manufacture of dry cell batteries, is proposed to be reduced to 50 per cent from the existing rate of 100 per cent.

- (m) The rate of import duty on glass fibre is proposed to be reduced to 50 per cent from the existing 150 per cent.
- (n) In order to reduce the pressure on inadequate forest resources of the country and also to help industries using timber as raw material, import duty on timber is proposed to be reduced from the existing 150 per cent to 30 per cent. Sales tax chargeable at 20 per cent will remain unchanged.
- (o) With a view to encouraging investment in capital goods, the Government, along with the reduction of import duties on industrial raw materials, is proposing to apply interest on debenture at the bank rate by a downward revision from the present chargeable rate of interest which is 5 per cent above the bank rate. The means that from now on, customs debentures will bear interest at a rate equal to the bank rate. It is also worthwhile to mention here that capital machinery which are produced in the country have

been identified. It is proposed to withdraw the existing concessional import duty rate applicable on such capital goods.

- (p) A beginning was made this year to build up an organisational structure to expedite payment of duty drawback as a measure for accelerating exports. Realistic steps are underway to make it more effective. Duty drawback at flat rate has to be readjusted/refixed for keeping it in conformity with the proposed reductions in the rates of duty and sales tax on industrial raw materials. At the same time, efforts are being taken to expand the list of items entitled to duty drawback at flat rates.

8. Facsimile machines are now being used in long distance communication in offices of our country. In order to make the machine cheaper to its users, import duty on it is proposed to be reduced to 50 per cent from the existing 100 per cent and thereby also bring it at par with other office machines.

9. Polishing stone is used in industries as well as in building construction. In order to rationalise its duty rate with other similar items, it is proposed to reduce its duty from existing 100 per cent to 50 per cent.

10. Import duty on shadowless operation lamp is proposed to be reduced from the existing 50 per cent to 20 per cent, the rate applicable to other electro-medical apparatus. Sales tax is also proposed to be exempted. Oxygenerator machine used in open heart surgery is proposed to be exempted from the whole of import duty and sales tax. Simultaneously, import duty on lens blank (rough) used for making spectacles is proposed to be reduced from the existing 50 per cent to 10 per cent and the 20 per cent sales tax chargeable now will be totally exempted.

11. In view of the increase in price of crude soyabean oil in the international market in 1983, import duty and sales tax chargeable on crude soyabean oil was exempted. The international market price of the item has by now come down. But, despite the reduction in price of the raw materials, price of locally refined soyabean oil did not

register any decline and the item is being sold in the domestic market at the previous price. Over and above, the facility of duty and tax-free import is being widely misused. Taking into consideration the overall situation, import duty on crude degummed soyabean oil is proposed to be re-imposed at the previously applicable rate of 20 per cent. Sales tax will, however, continue to be exempted. There will be no convincing reason for any increase in the price of locally refined soyabean oil.

12. Excessive import of powdered milk at low duty is hampering efforts to increase domestic production of milk. The Government has already imposed ban on the import of milk powder in bags. But, the possibility of arrival of such milk powder, free from harmful radioactivity, against letters of credit opened earlier or shipped already, cannot be ruled out altogether. Under the circumstances, it is proposed that import duty on milk powder imported in bags be revised upwards from 10 per cent to 20 per cent, on milk powder imported in tin container of up to 2.5 kg. the regulatory duty chargeable at present at 2.5 per cent be revised upward and fixed at 5 per cent and on condensed and other milk, sales tax at 10 per cent be imposed.

13. Under the existing legal provisions, Development Surcharge can be realised up to 5 per cent of the C&F value of dutiable goods. But only 2 per cent is being realised now. The proposals for duty reduction on raw materials of different industrial sectors will result in large loss of revenue. On the other hand, larger collection of internal revenue is indispensable to implement the Annual Development Programmes. It is, therefore, proposed that Development Surcharge be levied at the full authorised rate of 5 per cent during the next fiscal year. Introduction of liberal import facilities is also likely to yield additional revenue against import of new goods.

14. It is proposed to refix a number of tariff value to make them conform to the international market price. The items on which refixation of tariff value is proposed are: G.P. sheet, plastic sheet, coconut oil, cummin seeds, black pepper, betelnuts, fabrics, other than grey fabrics, card board, etc. To counter duty evasion through under invoicing, tariff value is also proposed on some new items namely: playing cards, tin plate, damar batu, kismis, alobukhara, monacca, pesta badam and dates.

15. In addition to the measures I have so far mentioned, customs duty rates are being simplified, anomalies removed and amendment of a number of provisions of the Customs Act have been proposed to make the law more effective and suited to present-day circumstances. Among these, amendments of sections 30 and 82 needs special mention. Besides, the duty rate of 400 per cent has been withdrawn from the tariff schedule.

Excise Duty :

16. In the field of excise duty, expansion of the coverage of the definition of cottage industry is one of the important measure proposed this year. Existing conditions for getting exemption of excise duty for a cottage industry are: such industry shall not be a Joint Stock Company; the number of workers employed shall not exceed 15; the owner shall not have any other business or industry and the investment in plant and machinery shall not exceed taka one lakh. It is proposed to raise the limit of investment in machinery from the existing taka one lakh to 3 lakh taka and to withdraw all other applicable conditionalities

in case of cottage industries. The relevant provisions of the Act are also proposed to be revised to give effect to this proposal. However, the concessions applicable to cottage industry shall not be available to certain specified industries.

17. At present there are two rates of excise duty—10 per cent and 20 per cent, on wires and cables. These rates are proposed to be unified into a single rate of 10 per cent.

18. Excise duty at the rate of 5 per cent is leviable on nuts, bolts and screws produced through cold rolled process whereas no excise duty is leviable on the same items produced through hot rolled process. As a result, industries of the first category are facing uneven competition. To correct the anomaly, it is proposed to withdraw excise duty on nuts, bolts and screws.

19. Industries for assembly or manufacture of refrigerators, air coolers and water heaters have now grown in the country. In addition, import duty on components of these items are being reduced substantially. These industries are now capable of bearing some tax burden. Excise duty at the rate of 10 per cent is proposed to be imposed on these three items.

20. At present, although metal containers are subject to excise duty at the rate of 10%, there is no levy on plastic containers. There has been significant advance in the field of plastic container-making in the country. The end-use of both the types of containers is similar and therefore, there is need for bringing uniformity in excise taxation. It is proposed to impose excise duty at the rate 5% on plastic containers. At the sametime, excise duty is proposed to be brought down to 5% from the existing 10% on metal containers and plastic bags and also to withdraw the existing exemption of excise duty on metal containers used in certain specified industries.

21. Manufacture of mild steel products in the country has increased substantially. Black plain sheets, galvanised plain sheets, corrugated iron sheets, M.S. rods, angles, bars, channels are being produced in the country. Some of these items serve as raw materials for some others. Their sale prices also differ considerably. Black plain sheets, G.P. sheets are imported also. I have already proposed reduction of import duty on these items earlier. Simultaneously, in order to rationalise and harmonise excise duty structure, it is proposed to retain excise duty at the present rate of 5 per cent only on the items listed below and to withdraw excise duty on other items such as, C.I. sheets, B.P. sheets:

- (a) Galvanised plain sheet.
- (b) Mild steel rod.
- (c) Angles, bars, channels, coils, joists, girders, channels, tees, flats, beams, zeds, trough, piling and all other rolled, forged, formed or extruded shapes and sections.

Tariff rate of G.P. sheet is being raised from Tk. 10,500 to Tk. 15,000 per metric ton to bring it closer to the prevalent market price.

22. Excise duty is generally collected on *ad valorem* basis. However, on some items this is collected on specific rates. These specific rates have remained unchanged during the last 5/6 years in case of some items although prices of these items have gone up considerably during this period. As a result, incidence of excise duty in proportion to price has gone down. To remedy the situation, specific excise duty rates on the following items are proposed to be revised:

- (a) Excise duty on Tea is proposed to be raised from Tk. 3 to Tk. 5 per kg. (Existing rate was fixed in 1982).
- (b) Excise duty on machine-made fabrics is proposed to be raised from the present 35 poisha to Taka one per square metre. Simultaneously, capacity duty on power looms is proposed to be raised from the present Tk. 200 to Tk. 400 per power loom and on warp-knitting machines from Tk. 1,000 to Tk. 2,000. (Existing rate was fixed in 1983).
- (c) The present three rates of Tk. 375, Tk. 500 and Tk. 1,250 is proposed to be raised to Tk. 500, Tk. 1,000 and Tk. 1,800 respectively on different sizes of black and white T.V. In case of coloured television, the rates will be fixed at Tk. 1,600, Tk. 2,700 and Tk. 4,000 in place of the present rates of Tk. 1,200, Tk. 2,000 and Tk. 3,000 respectively. (Existing rates were fixed in 1980 and 1981).
- (d) Excise duty rates on different sizes of drycell (primary) batteries are proposed to be fixed at Tk. 8, Tk. 6 and Tk. 5 per dozen in place of the present Tk. 4.80, Tk. 3.60 and Tk. 3 per dozen respectively (Existing rates were fixed in 1982).
- (e) Excise duty rate on electrical bulbs depending on the variation of watts are proposed to be revised from Tk. 6, Tk. 7.80 and Tk. 18 per dozen to Tk. 8, Tk. 10 and Tk. 25 respectively. On fluorescent tubes, excise duty on different sizes has been revised from Tk. 5.50, Tk. 4, Tk. 4.25 and Tk. 2.75 to Tk. 8.25, Tk. 6.25 and Tk. 4.25 respectively. (Existing rates were fixed in 1982).
- (f) Excise duty is assessed at the rate 10% on tariff value of sugar. It is proposed to refix the tariff value at Tk. 17,000 per metric ton from the existing Tk. 13,400 per ton. (Existing tariff value was fixed in 1982). With this change, excise duty will go up by a nominal amount of 36 poisha per kg.

23. One of our principal natural resources is gas. Every year hundreds crores of taka are required to be invested to expand its production and distribution. Besides, its present price is lower than other types of fuels. As such, price of gas supplied for generation of electricity, production of fertilizer and to the commercial sector is proposed to be raised by 30% and that to the domestic sector by 25%. In case of gas supplied to industries, tea-gardens and to the seasonal consumers, the prices of gas are not proposed to be raised as the existing prices are nearer to economic price. This will result in an average increase of 20% in the price of gas during 1987-88. Of the increase in price, 80% is proposed to be collected as excise duty and the rest 20% will be retained by the gas companies. Even after this increase, because of adoption of other measures, there will be no need to increase the price of fertilizers. Based on these proposals, gas bill for domestic single burner will rise from Tk. 66 to Tk. 80 and for 2 burners from Tk. 110 to Tk. 130. The concerned ministry/organisation will issue notification fixing new prices of gas.

24. In order ensure collection of excise duty due to the government and to stop evasion by the beverage industry, it is proposed to introduce capacity tax based on production capacity of machineries, from 1st of July next. Simultaneously, import duties on two main raw materials of this industry (concentrate and crown corks), will be exempted and a proportionate amount will be collected as excise duty.

25. Regulatory duty of 2% levied on some items is proposed to be withdrawn. As a result, assessment of excise duty will be simplified.

Direct Taxes :

26. Income tax is the principal source or revenue from direct taxes. This year some measures have been proposed which are intended to stimulate savings, encourage investment in productive sectors, particularly in industries, create employment opportunities and to give some tax relief to the low income group.

I now proceed to outline these measures in brief.

Income Tax :

27. In view of increase in the cost of living, it is proposed to raise the exemption limit in respect of individual class of assesseees from Tk. 30,000 to Tk. 36,000. In keeping with this measure, exemption limit of Registered Firms is proposed to be raised to Tk. 36,000 and in both the cases, existing five tax slabs are also being rationalised.

28. On the backdrop of the proposal for raising the exemption limit, the limit for compulsory submission of statement of assets, liabilities and expenses is proposed to be raised from Tk. 80,000 to Tk. 1,00,000.

29. In view of increase in prices, the value limit, for the purpose of depreciation allowance, of motor vehicles not plying for hire and used for the purpose of business and profession of the assessee is proposed to be raised from Tk. 2,50,000 to Tk. 3,00,000.

30. The time limit for special depreciation on ships expires on 30-6-87. To encourage investment in communication sector, this time limit is proposed to be extended up to 30-6-90.

31. Law provides for lower rates of depreciation allowance on agricultural assets as compared to industrial machineries. In order to encourage mechanisation of agriculture, it is proposed to raise this depreciation allowance to a reasonable level.

32. Development Banks and financial institutions pay tax on income computed on accrual basis. In consequence, unrealised interest is also included for income computation. In the context of the present problem faced by Bangladesh Shilpa Bank and Bangladesh Shilpa Rin Shamstha in respect of realisation of loans, it is proposed to make a provision in the Income Tax Ordinance for deduction of a sum equal to five per cent of overdue loans or the amount of actual provision for bad and doubtful debt, whichever is lower, for the purpose of computing total income. This measure will remain valid up to 30-6-90.

33. Under the existing provisions, following sums are deductible as expense from the total income of salaried employees who do not receive any conveyance allowance or perquisite:

- (a) Those who do not own any vehicle ... Tk. 2,400
- (b) Those who own any power driven ... Tk. 3,200
vehicle other than a car.
- (c) Those who own cars ... Tk. 6,000

In view of increase in conveyance expenses it is proposed to raise the deductible sums to Tk. 3,000, Tk. 3,800 and Tk. 6,000 respectively.

34. For the purpose of recognised provident fund, the definition of "employer" as per the Income Tax Ordinance does not include foreign embassies missions in Bangladesh. As a result, the Bangladeshi employees of those embassies/missions are deprived of the benefits of recognised provident fund. In these circumstances, it is proposed to widen the definition of "employer" to include foreign embassies/missions.

35. As there is no specific provision in the Income Tax Ordinance as regards "place of assessment", taxpayers as well as tax authorities face difficulties. To remove this difficulty, it is proposed to make necessary provisions as regards "place of assessment" in the Income Tax Ordinance.

36. Under the existing law, up to one-third of the total income of individual class of assesses do not suffer tax if the same is invested in specified fields. However, donations to recognised charitable institutions, Zakat Fund and national level sports organisation and contribution to benevolent fund and group insurance scheme do not come within its ambit. It is proposed to rationalise the relevant provisions of the Income Tax Ordinance, to specify the scope of investment and contribution and to include these items also in one-third of the total income.

37. At present, Transfer of Property Certificate from the taxes department is not necessary for transfer of any non-agricultural property valued up to Tk. one lakh. This exemption limit is not meaningful in view of prevalent high price of property. Moreover, under cover of this provision, the value of property is split and then transferred through a number of deeds, each not exceeding one lakh taka. This results in huge loss of revenue. It is, therefore, proposed to withdraw this exemption limit of one lakh taka. As a consequence of this measure, revenue from stamp duty also will increase.

38. Under the existing Income Tax Rules, advance income tax at the rate of 2% is collected from ten items at the import stage. To increase collection of income tax from anticipated income from imports, the list of items is being expanded.

39. In view of increase in the cost of living, particularly, house rent and conveyance expenses, the tax free limit of cash house rent and conveyance allowances for salaried employees are being raised to a reasonable level.

40. According to the provisions of Income Tax Rules, if an employee of a company is also a shareholder of that company, the amount of monthly contribution to his provident fund is restricted to Tk. 500. In partial relaxation of this rule, it is proposed that this restriction shall not apply with regard to employee-shareholders who do not own more than five per cent voting rights in the company.

41. The limit for allowing distribution of free samples as expense is prescribed in the Income Tax Rules. In view of increase in the cost of production of goods, it is proposed to raise this limit reasonably.

42. The Third Five-Year Plan envisages investment in industries from private sector at Tk. 3200 crore. This estimate is based on 1984-85 prices. If normal annual inflation is considered, this amount

will stand at Tk. 5100 crore at the end of the Plan period. During the period from 1-7-85 to 30-12-86, investment of about Tk. 1338 crores was sanctioned in the private sector. Actual investment in the same period was only Tk. 304 crores. This means, that to achieve the plan target for private investment, during the remaining years of the plan period, private investments must increase substantially. In order to help achieve this objective, following measures are proposed to be taken:

(a) If an assessee, other than a company, declares any income under the head "income from other sources" in his return of income for the assessment year 1987-88 and pays income tax at the rate of 20% on it, his return will be accepted without any questions being asked.

(b) At present, dividend income is exempt up to Tk. 15,000 but on fulfilment of certain conditions, dividends received from public limited companies are exempt up to Tk. 25,000. Dividends received from companies located in the Export Processing Zone are entirely exempt from tax in the hands of foreign shareholders. Moreover, dividends from companies enjoying tax holiday have also been exempted if some conditions are fulfilled. In such a situation, we propose to exempt all dividends in respect of shareholders other than companies. This benefit will not, however, be available to shareholders of a private limited company if such private limited company is not converted into a public limited company within two years commencing on 1-7-87.

(c) In the past, tax rates for the individual class of assesses were reduced substantially. To encourage investment in productive sector, it is proposed to reduce tax rates applicable to companies also. Present tax rates for companies are as follows:

(1) Publicly Traded Company	45%
(2) Industrial Company other than a Publicly Traded Company.	50%
(3) Banks and other companies	60%

Bulk of income tax revenue is collected from the companies. Any reduction in company tax rates will have an adverse effect on revenue. In spite of this, to encourage investment in productive sector, it is proposed to reduce the company tax rates in each case by five per cent. In consequence of the favourable situation arising out of this measure, it is expected that companies, particularly private companies will disclose more profit. We hope that this measure will also improve the investment climate obtaining in the capital market.

(d) In the Income Tax Ordinance, the time limit for accelerated depreciation on machinery used for industries will expire on 30-6-87. To encourage investment in industrial sector, it is proposed to extend the time limit for accelerated depreciation up to 30-6-90.

43. In spite of adoption of various measures designed to encourage voluntary tax compliance, it cannot be denied that the tendency to evade tax persists amongst a class of taxpayers. As a preventive measure against continued evasion of tax, an organisation under a Senior Commissioner of Taxes (Survey, Search and Seizure), has been created this year. To make this organisation more effective, it is essential that the concerned officers of this organisation be empowered to make assessment and hence proposal is made for the same. Side by side, it is also necessary to improve the professional standard of income tax practitioners. The question of framing appropriate guidelines in respect of their professional conduct is under consideration of the Government.

Other Receipts :

Foreign Travel Tax :

44. Foreign travel tax is collected from Bangladeshi passengers travelling abroad. However, the law on foreign travel tax provides a large number of exemptions from this tax. In practice, a marked tendency to avoid paying this tax by taking advantage of so many exemptions has been observed. Moreover, large number of exemptions make it difficult for the authorities at the airport to identify the exempt and non-exempt passengers. The result is that even passengers liable to pay foreign travel tax take advantage of this situation and travel abroad without paying this tax. In fact, there is no strong ground behind the exemptions.

For the reasons given above, it is proposed to withdraw the exemptions. This will eliminate the tendency amongst the passengers to travel without paying the tax under the cover of exemptions, simplify collection and render checking payment of the tax easier which will result in substantial increase in revenue.

45. *A summary of the various tax proposals and the consequent decrease/increase in tax revenue is given in the Annexures.*

46. **Land Development Tax.**—About half of our gross national income comes from the agricultural sector. However, mobilisation of internal resources from this sector is insignificant. Rate of land development tax on agricultural land was increased last in 1982-83. Keeping in view the rise in the price of agricultural produce since then, continuous expansion in investment in agricultural sector, increase in income from agricultural land, the need for increased contribution of agriculture in internal resource mobilisation and other relevant issues, as well as taking into account the fact that there should not be a sudden rise in the incidence of increase in land development tax on small farmers, I am proposing an appropriate increase in the rate of land development tax in 1987-88.

You would recall that six progressive slabs were introduced in 1982 under which small farmer's liability was relatively small while owners of big land holdings would be paying a higher tax. However, implementation of this procedure gave rise to administrative complexities and big land holders evinced a tendency to avoid paying the tax. With a view to rationalise assessment of land development tax on larger holdings and to ease collection procedure, it is being proposed to introduce four progressive slabs from next year instead of the existing, six. Introduction of penal provisions for evasion land development tax is also being proposed. Besides, area of land held

by big land owners will be computed Upazila-wise. Although total tax demanded under the revised system will increase, incidence of the increased tax on small and medium land holders will be relatively small as a higher tax incidence has been proposed for owners of land coming under the third and fourth slabs. The lowest amount of tax on agricultural land will be increased to 2 taka from the existing 1 taka.

An additional revenue of taka 23 crore is expected to be realised from land development tax from agricultural land under the revised rates from the next fiscal year.

47. Road Transportation.—Government is implementing an extensive programme of extension and development of roads in Upazila headquarters and other remote areas of the country in view of the importance of road transport in the country's socio-economic development. This calls for huge expenditure each year in the construction and maintenance of a network of road countrywide. Mobilisation of additional internal resources is essential for financing this important development work and proper maintenance of road system. In the greater national interest, therefore, all classes of citizens should contribute towards this effort.

Taking into consideration all these factors, it is being proposed to levy tolls at different rates on all transports using some by-pass roads constructed recently at heavy cost (Comilla-Feni). This will yield a revenue of taka 4 crore. A ten per cent increase in the rates of motor vehicle tax as listed in the first schedule to the Motor Vehicles Tax Act is being proposed. If approved an additional revenue of taka 1.48 crore may be realised under this head. Besides, revision of the various route permit fees realised under Motor Vehicles Rules, 1940 would yield another additional revenue of about taka 78 lakh.

48. Railway.—I have already referred to the huge deficit in the Railway Budget for 1987-88. Searching for ways to reduce the deficit one can see that railway fares for second and third classes are much lower than the actual expenditure and are considerably below bus and launch fare. On the other hand, the lion's share of railway's receipts comes from fares for these two classes. Passenger fare was increased last by only 5 per cent in 1985. Taking into account the continuous rise in operational expenses as also the interest of the public, Government is proposing to increase railway fare by ten per cent with effect from July, 1987. This will increase railway's receipts by about Taka 4.50 crore in 1987-88. No rise in other classes has been proposed as the existing rates for these classes are already pitched high and any further rise will not help increase revenue. There is hardly any possibility for

raising additional revenue through increase in goods and parcel rates. As such these also will remain unchanged. However, railways have taken on hand a programme to augment income by about taka 18.75 crore through rationalisation of passenger fares from the newly introduced inter city trains, improved management and some other appropriate measures to suit the needs of the time. Even after successful implementation of all these measures income of the railways will increase by taka 23.25 crore.

49. Bangladesh Post Offices.—Following manifold rise in operational expenses of post offices deficit of the postal department is continuously on the increase and would stand at taka 29 crore during the current financial year. In 1987-88 this deficit will come to about

taka 31.5 crore. Since the Post Offices department is partly a public service organisation it is not possible to raise its charges to cover the full extent of its deficit. Still, in an effort to mobilise additional resources and to reduce the growing deficit to some extent, it is being proposed to raise the charges on post offices foreign postal rates and internal fees. This will increase revenue under this head by about taka 1.67 crore. Besides, approval of the Jatiya Sangsad is being sought to certain proposals incorporated in the Finance Bill for increase in the postal rates for certain domestic mails. If approved, this will increase receipts from charges on domestic mails by about taka 40 lakh. Consequently, postal department will earn additional revenue of taka 2.07 crore in 1987-88 financial year and its deficit will be reduced to that extent.

It needs to be mentioned that while formulating proposals for domestic postal rates the Government have taken into account the paying capacity of the general public and is accordingly proposing not to increase the rates for post cards and envelopes but to retain the existing rates.

50. *Health*.—For obvious reasons Government expenditure in the health sector is continuously on the increase. On the otherhand, hardly any measure has been taken so far to increase Government's receipts in this sector. In order to meet the objective of providing

[Continued below]

[21 Jun 87 pp 3, 7]

[Text]

better health services, the Government has proposed to realise nominal fees on admission and ticket from indoor and outdoor patients in Government hospitals from next year. Admission fees for indoor patients would be two taka for Upazila hospital and three taka for Zila hospital and five taka for Medical College and Specialised Hospital. Ticket fees for outdoor patients at Upazila levels would be taka 1 at Zila level taka 2 and for Medical College Hospitals and specialised hospitals taka 3.

Under the proposed arrangement, all citizens of the country will, albeit nominally, share alongwith the Government the expenditure on providing primary health care and it will become possible to improve the quality of overall health service in the country in future and to provide for its continuous smooth expansion.

Charges for bed and cabin in Government hospitals and levy on private clinics; examination fees chargeable by medical boards, fees for examining food and water and the rate of such other fees are proposed to be increased next year. Introduction of ticket fees and admission fees and increase in the rates of existing fees are expected to yield an additional receipts of taka 9.51 crore; and an additional expenditure of taka 6 crore on account of increase in per capita allocation for patient's diet will be met from the revenue budget. Fees realised by the Drug Administration Department under various heads is inadequate. As such the rates for drug manufacturing fees, drug licence fees, drug sales fees, drug recipe examination fees, drug examination fees are proposed to be increased. This will yield additional receipts of about taka 3 crore. Thus total additional receipts from the health sector will come to about taka 12.51 crore.

51. *Education.*—Since long tuition fees realised from Government educational institution remained unchanged. On the other hand, there is a huge increase in the Government expenditure in the education sector each year. Further, private educational institutions realise tuition fees according to their requirements. Fees charged by them are manifold higher than the Government institutions. In this situation, with a view to removing the anomaly by stages and for proper maintenance of Government educational institution the need for an increase in the tuition fees cannot hardly be denied.

Against this background it is being proposed to generally double the existing tuition fees from Government School, Colleges, Madrasa,

etc. Realisation of tuition fees at higher rates will yield an additional amount of taka 3 crore annually.

MR. SPEAKER,

52. I have already mentioned that the increase and decrease in the revenues resulting from the proposed measures in respect of the principal direct and indirect taxes had been listed in the annexures. As may be seen revenue loss on account of import duty and sales tax would come to taka 122.85 crore whereas revenue gain will work out at taka 243.16 crore,——, that is, there will be a net increase of taka 120.31 crore in revenue under this head. Revenue loss and gain in excise duty will be taka 10.50 crore and taka 101.50 crore respectively that is there will be a net revenue increase of taka 91 crore. When next year's additional taka 50 crore yield resulting from increase in excise duty on cigarette towards the end of the current financial year is taken into account, the net revenue increase under this head would stand at taka 141 crore. As regards direct taxes, additional revenue from income tax would come to about taka 65 crore. Foreign travel tax will yield additional revenue of taka 10 crore and stamp duty will bring in another taka 10 crore. Additional revenue from land development tax will come to taka 23 crore.

Road transportation sector will contribute additional tax and non-tax revenue of taka 6.26 crore. Additional revenue realised from direct and indirect taxes next year will come to taka 371.19 crore including Tk. 40 lakh from Postal Department.

53. Under non-tax revenue, railways will contribute an additional amount of taka 23.25 crore. Additional amounts of taka 1.67 crore will be available from the Postal Department, taka 12.51 crore from the health sector, taka 3 crore from education sector and 4.78 crore from road transportation sector. In all, additional non-tax receipts will come to taka 45.21 crore.

54. The proposed new measures will thus yield additional revenue of taka 416.40 crore apart from the revenue realised under the existing measures. It will be possible to meet the local currency deficit in financing the Annual Development Plan out of these receipts.

55. Mr. Speaker, the Budget proposals for 1987-88 placed before the Jatiya Sangshad have the following overall objectives:

- (a) increase agricultural and industrial production,
- (b) improve supply of all goods and services through higher production and import,
- (c) create opportunities for rapid industrialisation,

- (d) increase investments and create employment opportunities,
- (e) keep the price situation stable through increased supplies and appropriate monetary and fiscal policies,
- (f) maintain all out efforts and support for increasing exports,
- (g) continue and strengthen the population control programme.

56. There is no reason for any unbearable burden on any section of our society on the basis of proposals for new taxes and revenues. Though it has been proposed to increase indirect taxes by small amounts in some cases, the cost of industrial production and other imports will definitely go down due to overall reduction in duties and taxes. I sincerely hope that a part of this benefit of lower cost of production will be passed on to the buyers.

The resources that will be raised through the proposed taxes and revenues will be used entirely for financing the Annual Development Programme. Even after that, the proportion of foreign aid in the financing of the ADP will be almost 85%, and domestic resources will contribute only about 15%. The Hon'ble members of the House and all others will agree that it is absolutely essential to change that position. Therefore, if we have to increase development expenditure, and if we have to reduce our dependence on foreign aid, every year more revenues and resources will have to be raised. Further, if non-development expenditure is not contained, the rate of collection of new revenues will have to be increased even more. I have mentioned that due to restructuring and rationalisation of duties and taxes there will be reduction of revenue in some cases next year; but on a medium term basis these measures will have significant positive impact on the economy, help raise production and employment on a large scale, and it will be possible to raise higher revenues from higher production in the future.

57. I would like to refer to the special responsibility of the nationalised sector at the cost of repetition. Decision for giving additional benefits to the employees and workers will be justified only if there is more efficient management of resources and higher production. The Government and the society definitely expect greater contribution from the nationalised sector on the basis of huge investments that have been made. If surplus and savings of the nationalised sector become inadequate the case for increasing investments in this sector will undoubtedly be weakened.

58. I can also say that the economy is not deriving maximum benefit from the flow of bank credit—whether in the agricultural or industrial sector. Bank credit is based on the savings of depositors and it can contribute to increase in national production only through circular flow of these resources. If this is interrupted, then on the one hand the banks will face serious problems and on the other, investment and production in the private sector will be hampered. During the current year the borrowers of agricultural credit have shown response to the unprecedented gesture of the Hon'ble President, but still there is huge overdues, and the position of overdue industrial credit is extremely unsatisfactory. In this context all out efforts and programmes for recovery of overdues including legal measures will continue unabated. In future steps will be considered for giving rebate to those borrowers who will repay their loans on schedule.

59. Mr. Speaker, Sir, at the present moment though the activities of the public sector and of the Government under the annual development programme cover a large part of the economy, we have to remember that it is not the responsibility of the Government alone to speed up economic development. The private sector is increasingly playing a greater role and new responsibilities have been identified for the Upazila Parishads and other local government institutions. The local government institutions—the Upazila Parishads and the Pourashavas, have to be more active in this respect. The total amount of grant given by the Government to the Upazilas including those proposed for 1987-88 will be over taka one thousand cr.; but the resources generated by the Parishads themselves are insignificant indeed. The development grants that are being given from government revenues are the most valuable and scarce resources of the Government. It is

therefore natural for the Government to expect that the Upazila Parishads will conduct their activities efficiently and will be more active in raising resources at the local level. Otherwise the decentralization policy of the Government may continue to increase administrative and non-development expenditure. Unless the Upazilas and Pourasabhas gradually become self-reliant, and reduce their dependance on the Government, benefit of the local government system will not be fully realised.

Finally, I expect the cooperation of the Hon'ble members of the House in giving close attention to ensuring that government resources deployed for development activities are spent in line with the nation's socio-economic objectives. I also hope that the Hon'ble members of the House, will play an important role in ensuring that funds allocated for implementation of a large number of development projects in different parts of the country are well spent.

60. Mr. Speaker, Sir, I sincerely hope that discussions on the national problems to which I have referred while presenting the budget proposals will be conducted keeping the national interest in the forefront. It is in our interest to establish national consensus on national problems and issues. I shall, therefore, repeat that if production is interrupted, if raising of domestic resources is impeded, the nation's interests will suffer. If production levels increase it will be in the overall interest of all, and help in the move towards self-reliance. The choice before us is therefore obvious.

Khoda Hafez
Bangladesh Zindabad

ANNEXURE 'A'

ABSTRACT OF THE TAX PROPOSALS

Customs Duty and Sales Tax:

(Taka in lakhs)

Sl. No.	Description.	Existing rate (%)		Proposed rate (%)		Annual Revenue Effect.	
		CD.	ST.	CD.	ST.	Gain	Loss
1	2	3	4	5	6	7(+)	8(-)
1	B.P. sheet ..	50	20	20	10	..	(-)594
2	G.P. sheet ..	50	20	50	10	..	(-)491
		+10RD.					
3	C.I. sheet ..	50	20	50	10	..	(-)2500
4	M.S. strip ..	50	20	30	20	..	(-)1104
5	Tin sheet ..	50	20	30	20	..	(-)292
6	(a) M.S. Billet ..	50	Nil	30	20	(+)50	..
	(b) M.S. Rod ..	100	20	50	20	..	(-)80
7	(a) Stainless steel sheet ..	50	20	30	20	..	(-)400
	(b) High carbon/High speed steel ..	50	20	20	10	..	(-)400
	(c) Silicon sheet ..	50	20	20	Nil	..	..
8	(a) Copper wire ..	50	20	50	10	..	..
	(b) Copper rod ..	20	20	20	Nil	..	(-)295
9	Electric Motor, transformer and Choke.	100	20	50	20	..	(-)367
10	Electronic components ..	various		10	Nil	..	..
				30	20		
11	Glass sheet of thickness 5mm and above.	100	20	50	20	..	..
12	Aluminium sheet, plates, strip	50	20	30	20	..	..
13	Brass sheet ..	50	20	30	Nil	..	..
14	Brass tube ..	50	20	30	Nil	..	..

(Taka in lakhs)

Sl. No.	Description.	Existing rate (%)		Proposed rate (%)		Annual Revenue Effect.	
		CD.	ST.	CD.	ST.	Gain	Loss
1	2	3	4	5	6	7(+)	8(-)
15	(a) Bus ..	50	Nil	20	Nil	..	(+)150
	(b) Minibus ..	20	Nil	10	Nil		
	(c) CKD bus/minibus ..	20	Nil	Nil	Nil		
	(d) Auto-rickshaw ..	20	20	10	10		
	(e) Auto-rickshaw in CKD ..	5	Nil	Nil	Nil		
16	(a) Brake and brake lining and Metal parts of Motor vehicles.	100	20	50	20	..	(-)882
	(b) Taxi cab ..	50	Nil	Exemption withdrawn.	..	(+)50	..
	(c) Marine engine shaft and gear box.	100	20	20	20	..	..

17	Tyre tube of Bus/Trucks	50	20	20	10	..	(-)	167
18	Motor cars with engine of 850 cc. displacement capacity.	50	20	50	Nil	..	(-)	50
19	Refrigerated van	100	20	} 10	Nil
		30	Nil					
20	(a) Single yarn	20	20	} 20	20	..	(→)	1500
		+5RD.	20					
	(b) Plied or twisted yarn	20	20					
		+15RD.	20					
	(c) Stretch nylon yarn	50	20					
	(d) Sewing thread in hanks	20	20					
		+10RD.	20					
	(e) Other sewing thread	20	20					
		+15RD.	20					
21	Lumi Lurex	50	20	20	20	..	(-)	65
22	Malalised zari	100	20	50	20
23	Woolen fabrics	150	20	100	20

(Taka in lakhs)

Sl. No.	Description.	Existing rate (%)		Proposed rate (%)		Annual Revenue Effect.	
		CD.	ST.	CD.	ST.	Gain	Loss
1	2	3	4	5	6	7(+)	8(-)
24	Textile dyes and other dyes	20	20	} 20	10	..	(→)562
		50	20				
25	Acetate tow	50	20	30	20	..	..
26	(a) Jersey/Tracksuit	Nil	Nil	50	Nil	} (+)3000	..
	(b) Cotton and synthetic blended fabrics.	100	Nil	100	Nil		
			(Expected increase of import due to increase of demand.				
27	Raw rubber, PVC reslit (powder)	50	20	20	10	..	(→)874
28	Thermoplastic moulding compound.	50	20	30	20	..	(→)567
29	(a) Pulp	10	20	} 30	20	} (+)708	..
	(b) Waste paper	20	Nil				
	(c) Duplex board	100	20				
30	Tyre-tube of bicycle & Rickshaw	100	20	100	20	..	(→)346
		+50.RD.					
31	Transfers	50	20	20	20	..	..
32	Soda Ash, Borax, Sodium Nitrate, Refined clay.	50	20	30	20	..	(→)235
33	(a) Plastic tube, rod, pipe	100	20	50	20	..	(→)22
	(b) Plastic strip	100	20	30	20	..	..
34	Lens blank (Rough)	50	20	10	Nil	..	(→)12
35	Raw material of paint varnish	50	20	30	20	..	(→)176
36	Lime stone	20	20	20	Nil	..	(→)48
37	Unbreakable tumbler glass	150	20	50	20	..	..
38	Tissue/glassine/Leatheroid paper, Toilet paper.	100	20	50	20	..	..
39	Paint and varnish	150	20	100	20	..	..

(Taka in lakhs)

Sl. No.	Description.	Existing rate (%)		Proposed rate (%)		Annual Revenue Eff. ct.	
		CD.	ST.	CD.	ST.	Gain	Loss
1	2	3	4	5	6	7(+)	8(-)
40	Basic chemical:						
	(a) Citric acid ..	50	20	24%	Nil	..	..
	(b) Dextrin ..	100	20				
	(c) Alum ..	50	20	20	Nil	..	..
	(d) Felt cleaning agent ..	100	20				
41	Carbon rod ..	100	20	50	20	..	(-)175
42	Timber ..	150	20	30	20	..	..
43	Polishing stone ..	100	20	50	20	..	(-)18
44	Glass fibre ..	150	20	50	20	..	..
45	Fascimile machine ..	100	20	50	20	..	(-)63
46	Parts and components of accumulator.	20	20	50	20	(+)100	
47	Apparatus & equipments used in the laboratory.	50	20	20	20	..	..
48	Shadowless operation lamp ..	50	20	20	Nil.	..	..
49	Oxygenator ..	50	20	Nil	Nil	..	..
50	(a) Powder milk in tin ..	5	Nil	5	Nil	} (+)1200	
	(b) Milk in bag ..	10	10	+24% R.D. +5 RD.			
	(c) Condensed milk ..	20	Nil	20	10		
51	Beverage concentrate printed crown cork.	150	20	Nil	Nil	..	(-)260
52	Crude degummed soyabean oil	Nil	Nil	20	Nil	(+)800	..
53	Tariff value fixation and rationalisation.	..	..	..	..	(+)1408	..
54	New items due to liberalisation of Import Policy.	..	..	..	..	(+)1000	..
55	Development surcharge ..	2%	..	..	..	5%(+)1600	..
				Total effect		(+)243,16	(-)122,85
				Net effect		(+)120,31	

ANNEXURE 'B'

ABSTRACT OF NEW FISCAL MEASURES, 1987-88.

Excise.

(Figures in lakh Taka)

Items.	Existing Rate	Proposed Rate	Increase (+)	Decrease (-)
1. Cottage Industry conditions:				
(i) Not to be owned by a Joint stock company.	Capital Investment in machinery not exceeding Taka 3 lakhs.	..	..	..
(ii) Capital Investment in plants and machinery not exceeding Taka one lakh.	Abolition of other conditions.	..	..	..
(iii) Number of employees not exceeding 15.	..	..	..	..
(iv) Not owning any other industrial or commercial enterprise.	..	..	..	..
2. Wires and Cables	10% and 20% (2% Regulatory Duty).	10%	..	50
3. Nut, Bolt and Screw.	5%	Nil	..	..
4. Refrigerator, Air-cooler, water heater.	..	10%	100	..

(Figures in lakh Taka)

Items.	Existing Rate.	Proposed Rate.	Increase (+)	Decrease (-)
5. (i) Plastic container	..	5%	100	-
(ii) Metal container	10%	5%		
(iii) Metal container used for packing of kerosene, Biscuit, Vegetable, Non essential oil or vegetable product.	..	5%		
(iv) Plastic Bag	10%	5%	..	..

6. Mild Steel Products:

(i) G.P. Sheet	5% (Tariff value Tk. 10,500 per metric ton).	5% (Tariff value Tk. 15,000 per metric ton).	300
(ii) C.I. Sheet	Ditto	Nil	
(iii) M.S. Rod	Ditto	5% (Tariff value Tk. 10,500 per ton)	
(iv) Others	Ditto	5% (Tariff value Tk. 10,500 per ton).	

7. Tea .. Tk. 3 per kg. Tk. 5 per kg. 300 ..

8. (i) Cotton & man-made Fabrics.	35 poisha per square metre.	Tk. 1.00 per sq. metres).	600
(ii) Capacity duty on Power Looms.	Tk. 200 per Loom Tk. 1000 per warp knitting machine.	Tk. 400 per Loom Tk. 2000 per warp knitting machine.	

(Figures in lakh Taka)

Items	Existing Rate.	Proposed Rate.	Increase (+)	Decrease (-)
-------	----------------	----------------	--------------	--------------

9. Television:

(i) Black and White

Screen not exceeding 356m.m.	Tk. 375 per set	Tk. 500 per set	450
Screen from 356 to 508 m.m.	Tk. 750 per set	Tk. 1000 per set	
Screen exceeding 508 m.m.	Tk. 1250 per set (2% Regulatory Duty).	Tk. 1800 per set	

(ii) Coloured Television

Screen not exceeding 356 m.m.	Tk. 1200 per set	Tk. 1600 per set	450
Screen from 356 to 508 m.m.	Tk. 2000 per set	Tk. 2700 per set	
Screen exceeding 508 m.m.	Tk. 300 per set (2% Regulatory Duty).	Tk. 4000 per set	

10. Dry Cell Battery:

(Primary cell and Battery).

(i) Standard size	Tk. 4.80 per dozen.	Tk. 8.00 per dozen.	300
(ii) Medium size	Tk. 3.60 per dozen.	Tk. 6.00 per dozen.	
(iii) Penlight size	Tk. 3.00 per dozen. (2% Regulatory Duty).	Tk. 5.00 per dozen.	

(Figures in lakh Taka)

Items.	Existing Rate	Proposed Rate.	Increase (+)	Decrease. (-)
11. Electric Bulb:				
(i) Not exceeding 40 watts.	Tk. 6.00 per dozen.	Tk. 8.00 per dozen.	75	..
(ii) Exceeding 40 watts but not exceeding 60 watts.	Tk. 7.80 per dozen.	Tk. 10 per dozen.		
(iii) Exceeding 60 watts.	Tk. 18.00 per dozen. (2% Regulatory Duty).	Tk. 25.00 per dozen.		
12. Electrical fluorescent Tubes :				
(i) 122 centimetres 40 watts standard.	Tk. 5.50 per tube	Tk. 8.25 per tube	25	..
(ii) 122 centimetres 40 watts sub-standard.	Tk. 4.00 per tube	Tk. 6.00 per tube		
(iii) 61 centimetres 20 watts.	Tk. 4.25 per tube	Tk. 6.25 per tube		
(iv) 61 centimetres 20 watts sub-standard.	Tk. 2.75 per tube (2% Regulatory Duty).	Tk. 4.25 per tube		
13. Sugar	10% (Tariff value Tk. 1340 per 100 kg.)	10% (Tariff value Tk. 1700 per 100 kg.)	700	..
14. Gas	Multiple Rates.	Multiple Rates	5800	..

(Figures in lakh Taka)

Items	Existing Rate.	Proposed Rate.	Increase (+)	Decrease (-)
15. Aerated water;				
(a) aerated soda water				
(i) contents not exceeding 250 millilitres per bottle.	Tk. 0.40 per bottle.			
(ii) contents exceeding 250 millilitres per bottle.	Tk. 0.60 per bottle.			
(b) other aerated water.				
(i) contents not exceeding 200 ml. per bottle.	Tk. 0.60 per bottle.			
		Capacity duty at the rate of Tk. 7 lakhs per filling valve.	1400	

(ii) contents exceeding 200 ml. but not exceeding 250 ml. per bottle.	Tk. 0.70 per bottle.		
(iii) contents exceeding 250 ml. per bottle.	Tk. 1.50 per bottle.		
16. Regulatory Duty	2%	Nil	1000
		Total	(+) 10150 (-) 1050
			(-) 1050
			(+) 9100
Additional revenue receipts for the next year from enhancement of excise duty on cigarettes in the later part of current financial year.			(+) 5000
		Net (+)	14100

ANNEXURE 'C'

REVENUE EFFECT OF INCOME TAX MEASURES

1. Declaration of "income from other sources"	..	+ 80 Crores
2. Withdrawal of exemption limit on transfer of property	..	+ 10 Crores
3. Expansion of the list of items for collection of income tax at import stage.	..	+ 3 Crores
4. Inclusion of new areas for allowable investment of $\frac{1}{3}$ of the total income.	..	+ 50 Lakh
		+93.50 Crore
1. Reduction of company tax rates	..	- 20 Crore
2. Special provision for Shilpa Bank and Shilpa Rin Shangstha.	..	- 6 Crore
3. Exemption of dividend	..	- 1 Crore
4. Raising exemption limit	..	- 75 Lakh
5. Raising depreciation allowance on agricultural assets	..	- 50 Lakh
6. Raising the cost of Cars for depreciation purpose	..	- 10 Lakh
7. Raising the limit of allowable free samples for distribution.	..	- 10 Lakh
8. Raising tax free allowances for salaried employees	..	- 5 Lakh
		-28.50 Crore
Net gain Taka 65 Crores.		
Stamp duty—withdrawal of exemption limit on transfer of property.	..	+ 10 Crore
Foreign Travel Tax—withdrawal of exemption	..	+ 10 Crore

Dhaka THE NEW NATION in English 21 Jun 87 p 5

[Editorial: "National Budget"]

[Text]

The Tk. 434-crore surplus budget for fiscal '87-'88 as presented on Thursday proposes, among other things, a package of new fiscal measures which are estimated to yield an additional revenue of Tk. 416.40 crore of which Tk. 371.19 crore would be realised from direct and indirect taxes while Tk. 45.21 crore would be generated from additional non-tax receipts. The principal heads under which revenue receipts would increase are income tax, excise duty, land development tax, stamp duty and import duty. The revenue surplus would go partially to finance Tk. 5046 crore Annual Development Programme (ADP) for 1987-88. The foreign aid component of the ADP is Tk. 4304 crore and the domestic component Tk. 325 crore.

The staid and rather traditionally modelled budget proposals envisage revenue earnings of Tk. 4468 crore, revenue expenditure Tk. 3740 crore, surplus of Tk. 728 crore with new fiscal measures of Tk. 372 crore. The ADP was estimated at Tk. 4764 crore.

While announcing the budget for 1986-87 M. Syeduzzaman, then Finance Adviser, had said the new fiscal measures adopted by the government aimed at protecting the legitimate interests of domestic industry, countering illegal entry of goods, evading customs duty, encouraging and supporting investment, production, export and expansion of employment opportunities.

A review of the national budgets from 1972-86 shows that these are being framed in the traditional pattern and the latest one is no exception. In each fiscal year growth rate, target of ADP and strategy of domestic resource mobilisation are determined as usual but these always fall much below expectations and dependence on foreign aid continues unabated. The most important factor for this is the white elephant of the losing nationalised industrial concerns. The big leakage of such concerns could not as yet be stopped. Some

programmes on a limited scale to stop this leakage have been adopted without any worthwhile result. On the other hand, due to bureaucratic snags and procedural bottlenecks and lack of political realism the private sector could not be made dynamic. The necessary political commitment for the private sector could not be created. The economy has been suffering from growing unemployment, soaring inflation and weak growth commonly known as stagflation. At the same time losing public sector has to be dismantled to overcome the crisis of internal resource generation.

The Finance Minister has admitted in his budget that unless the public sector organisations could meet through improvement of efficiency of administration, management and income, increased production and reduction of wastage, it would be unavoidable to raise the prices of goods and services produced by them. This means the existing situation would then further worsen.

Near stagnancy in national savings is a matter of great concern now. It is a national challenge and responsibility to raise the level of savings, investments, production and income. These are preconditions for the materialisation of development plan. The Finance Minister has frankly stated that it has not been possible to realise the targets of any of the development plans since our independence and he has asked the nation to ponder. The causes should be clearly identified and action programme taken to remedy the deteriorating situation. The deck has to be cleared for a dynamic private sector as therein lies the solution of breaking the vicious circle of low income, low savings and low investments and thereby encouraging mass participation in the economic development process.

The Finance Minister does not however appear to be pessimistic. He has announced a number of measures to encourage saving, investment, capital formation and industrialisation.

The ceiling of personal taxable income has been raised from Tk. 30,000 to Tk. 36,000 and the dividend income on individual shareholders level would be tax free. The corporate tax would be reduced by 5 per cent. Special

depreciation limit has been extended for ships and agricultural assets for the purpose of computing income tax. The Finance Minister proposed a reduction in the customs duty on a number of raw materials to enable the local engineering, chemical and textile industries to compete with foreign goods. Since the new fiscal measures have provoked mixed reaction, these should however be kept under constant watch so that a balance is struck between reduction and raise in duties and sales tax and the intended benefits reach the people.

It should be kept in mind that taxes and duties as measures for domestic resources mobilisation might be painful but these cannot be avoided. At the same time non-development and wasteful expenditure must be kept to the barest minimum with a view to justifying the rationale of the budget.

It is true that a Third World developing country like Bangladesh has to depend heavily on foreign assistance; but it is equally true that this dependence cannot continue for all time to come. It is not aid itself that overburdens the nation but non-productive and wasteful use of aid money.

Budget making is not an easy job for the Finance Minister of a poor country like Bangladesh in the existing scarcity economy. Baffling figure work is involved to put together an authentic document on the state of nation's economic health and projecting the strategy for future development.

The economic picture as it obtains today may not be a cause for despair but it does not evoke any enthusiasm either. The economy is not what it should have been. In terms of GDP growth, which reflects the economic health of a nation, we have been failing to achieve the target. GDP growth rate was estimated at 5.4 per cent, on an average. But during the first two years the growth rate will be 4 per cent and 4.4 per cent. It remains to be seen whether the projected growth rate of 5.1 per cent for the fiscal 1987-88 can be achieved. If it does, it will indicate in unmistakable terms, a forward movement of the economy, but eradication of poverty is another matter.

Uncertainty in agricultural production due to climatic factors and dependence of the major part of our exports on "international trading environment" have been attributed to the poor performance of the economy. The two factors have been described by the Finance Minister as the "major weak spots" of the economy on which the Government had no control.

The post-budget situation needs to be carefully watched. The positive fiscal measures may not have favourable effect if depreciation of Taka, inflation and smuggling cannot be contained.

Tariffs and charges have been either newly imposed or increased on utility services. Bad service and charge hike cannot go together.

In the ultimate analysis people are interested in the budgetary discipline which is found lacking in most cases. A national budget as well as the Annual Development Programme are as good as their implementation. Unless budget or plan is implemented in letter and spirit it is bound to become an annual exercise in futility. Finally, no budget can ever be fruitful that does not provide for growth in individual income.

Protest From Opposition

Dhaka THE BANGLADESH OBSERVER in English 22 Jun 87 p 1

[Text]

A six-hour hartal from 6 a.m. was observed throughout the country on Sunday. The call for hartal was given earlier by the Eight-Party, Seven-Party, Five-Party Alliances and Jamaat-e-Islami Bangladesh in protest against what they said anti-people budget and militarisation of the administration.

Except an incident at Latif Bhawani and Ahmed Bhawani Jute Mills at Demra, the hartal was peaceful. About 50 workers of Latif Bhawani and Ahmed Bhawani Jute Mills were injured following clash between two rival groups of workers. The clash started when a section of the workers tried to start work in the morning and another section resisted it. All the injured persons were given first aid. The mills, however, did not function during the hartal hours.

In Dhaka metropolitan city all shops remained closed and transports did not ply during the hartal hours. No untoward incident was reported. Attendance in government, private offices and banks was thin.

According to a police source about 350 young boys were rounded up while they were trying to stage picketing at different vintage points in the city.

The Eight-Party Alliance led by Awami League, Seven-Party Alliance led by BNP, Five-Party Alliance and Jamaat-e-Islami held separate rallies after hartal hours to voice their resentments against the militarisation of administration and anti-people national Budget.

Our staff correspondents from Khulna, Chittagong and correspondents from Netrokona, Bogra,

Faridpur, Brahmanbaria, Jhenidah, Sylhet, Kushtia, Barisal, Pabna and Noapara reported observance of complete hartal at the call of the opposition parties.

The Bangladesh Biman operated its international flights as usual while three domestic flights were cancelled as the passengers could not reach the Airport during the hartal hours. Railway communication was disrupted. The trains which left Dhaka were stranded at various stations following public protests during the hartal hours.

Complete hartal was observed by the people of the principal river port town Narayanganj on Sunday. All sorts of transports remained off the roads during hartal hour.

Trains did not ply and launches did not steam off from Narayanganj during hartal hour.

Mills and factories in Demra, Adamjee Nagar, and Fatullah remained closed. No untoward incident occurred during hartal hours.

Our Special correspondent from Khulna adds:—A dawn to noon hartal was observed here today in response to opposition parties in protest against imposition of taxes in the national Budget. Most of the shops were closed and private vehicles went off the roads. But in certain areas of the city rickshaws were seen plying on the roads.

Newsprint Mills remained open

Khulna Newsprint Mills and several other mills and factories at industrial area operated as usual.

Cargo loading and unloading operation at Mongla port also went on smoothly, a port source said.

Strong police pickets were posted in the city but there was so far no reports of any untoward incident.

Chittagong

Our Chittagong Office reports:—The half-day complete hartal was observed in Chittagong city at the call of opposition political parties.

The six-hour hartal period in Chittagong passed off peacefully but the life in the port city was dislocated.

All vehicles went off the roads and shops remained closed during the hartal period. Even the transaction at kutchra markets came to a halt.

Attendance in both public and private offices was relatively thin. The office goers attended their offices on foot.

The production in mills and industries was also hampered. The port authorities faced deadlock in cargo handling too.

The trains to and from Chittagong however, ran as usual. The Bangladesh Biman cancelled two flights due to hartal in the morning.

Besides, the five-party alliance, eight-party alliance, seven-party alliance and Jamaat-e-Islami, held separate roadside meetings in the city. The speakers at these meetings vehemently criticised the government for the current national Budget and militarisation of administration.

Numerous processions were also brought out by political parties and students.

/13046

CSO: 4600/1794

MSM PLANS CAMPAIGN OVER SHARIAT BILL

Lahore THE PAKISTAN TIMES in English 1 Jul 87 p 1

[Text]

JUNE 30: The Executive Committee of Mutahida Shariat Mohaz which met on Tuesday in National Assembly premises has decided to boycott the next session of Senate and to launch a country-wide campaign for the acceptance of the Private Member Shariat Bill before the Senate.

The meeting which was attended by 11 MNAs and four Senators, 15 delegates from all over the country on the invitation of Maulana Abdul Haq of Akora Khattak President of the Mohaz.

Briefing the newsmen soon after the meeting, Liaquat Baloch MNA, Kazi Hussain Asghar, MNA and Maulana Samiul Haq, Senator said that they would continue the boycott of current budget session. However, they would place before the House their point of view on the

Shariat Bill at the next session of the National Assembly.

When asked as to why they have not placed their point of view during the current session, he said it was useless to do so in the budget session, particularly when the Government's attitude was not only indifferent, but the Ministers and their representatives have adopted dilatory tactics to weaken our stand.

It was for this reason that the Mohaz chose to place its point of view before the masses. In this connection, he added two huge public meetings, one at Karachi and Lahore would be held during August and September respectively. Besides public meetings will also be held at Multan, Faisalabad, Peshawar, Islamabad and Quetta.

/13046

CSO: 4600/261

LOCAL ELECTIONS PLANNED FOR OCTOBER

Islamabad THE MUSLIM in English 27 Jun 87 p 1

[Article by Ashraf Hashmi]

[Text]

ISLAMABAD, June 26: The Federal Cabinet which met here this morning in a special session has decided to hold the local bodies polls in all the four provinces in the month of October this year.

The meeting presided over by Prime Minister Mohammad Khan Junejo was attended by all the four provincial Chief Ministers. The meeting made a detailed review of the local bodies structure prevailing in the country and felt no need of inducting any change in it. The revival of the Union Councils and Union Committees in the urban and rural areas was also discussed.

Though the cabinet reaffirmed to hold the forthcoming local bodies polls on non-party basis, the final decision on this account would be announced after taking into account the constitutional position in this respect. The

Justice Ministry has been directed to examine the issue as to what would be position if workers from political parties decide to contest the polls.

The idea of holding these polls at different times in the four provinces was also dropped as the elections to the local bodies would now be held in the month of October in all the four provinces.

The Cabinet also reviewed a detailed report about the use of development funds given to MNAs and MPAs. This report according to reliable sources would now be discussed in the PML Parliamentary Party meeting.

The Ministry of Industries was directed to prepare a detailed scheme for the disposal of the officials cars.

APP ADDS: The Cabinet reaff-

irmed that local bodies elections will be held on schedule.

The Prime Minister's special development programme for local government, education and housing was also reviewed. The Cabinet reviewed the implementation of Prime Minister's directive made on the floor of the National Assembly on June 12 for observing austerity, with particular reference to the use of staff cars. The Prime Minister stressed the need for an effective mechanism for disposal of big cars and a close monitoring of this work.

Earlier the meeting started with the recitation from the Holy Quran by Federal Minister for Housing and Works, Mohammad Hanif Tayyab. The meeting was attended by Federal Ministers, concerned Ministers of State, Provincial Chief Ministers and the Cabinet Secretary.

/9274

CSO: 4600/264

COMMENTARY VIEWS PPP DEVELOPMENTS

Islamabad THE MUSLIM in English 27 Jun 87 p 4

[Text]

WHAT her father, the late Prime Minister Zulfikar Ali Bhutto did not do, Benazir Bhutto has done. The leader of the PPP has launched her party on the path of internal elections. She has begun the process of elections in a party that in its entire twenty year history never held any elections, except for those organised in 1976 by Begum Nusrat Bhutto in the women's wing of the party.

After having learnt from the experience of holding elections at lower tiers in Sind in 1986, the PPP High Command repeated the exercise on June 19 in its largest wing, in the province of the Punjab. The whole process will not be complete until the Appeals procedure runs its full course, which will take several more weeks. It can be argued that such elections are only a modest step toward internal democratisation given that relatively lower tiers of the party are being electorally chosen. But the elections at tehsil municipal and town level ultimately take the principle of election—rather than the unhealthy one of nomination and appointment which for two decades was the party's organising principle—virtually up to district level. Above all, what is signified by such elections is a bottom-up rather than a top-down approach. This is a good way of strengthening the grass root organisation and ensuring that the upper tiers do not influence the electoral outcome at the middle and lower tiers of the party.

The election rules have been elaborately formulated under Ms Bhutto's close supervision to provide an Appellate procedure that can deal with the inevitable disagreements and conflicting claims of the contestants about how the election in a particular ward or area was conducted. There have been reports about clashes between party workers at certain polling booths and there have been scenes of violence, all of which is regrettable. But much of this is inevitable given the largeness of the party, its generally factionalised

state, the fact that over 100,000 office bearers' were being elected and that it was the first exercise of its kind. And surely the noise and din of democracy is far preferable to the deadly silence of a monolithic order that is characteristic of internal party elections, in authoritarian political systems.

The PPP chief has taken a significant step that will help to democratise and reinvigorate her party. This is essential not just for the PPP to be able to rebut the charge of critics that it advocates democracy for the country but doesn't practice it within its own ranks. It is also necessary for strengthening party organisation. Learning from the experience of the elections it has organised so far, the PPP ought to now not just press ahead with elections in the other two provinces and Azad Kashmir, but take the process from the district to the provincial level. The Party High Command should as it has promised to do, also carefully analyse the electoral results and its implications learn from its mistakes and ensure that the next exercise is conducted more smoothly.

/9274

CSO: 4600/264

MQM BOYCOTTS JANG, PROTESTS ALLEGED BIAS

Islamabad THE MUSLIM in English 27 Jun 87 p 8

[Article by Dastgir Bhatti]

[Text]

HYDERABAD, June 26: Over 50 per cent of the readers of a leading Urdu daily of Karachi could not get copies of the newspaper in Hyderabad today on the fifth consecutive day of the boycott call issued by the central leadership of the Mohajir Qaumi Movement. During the last five days the hawkers of the newspapers were attacked by armed groups of youngsters in Hyderabad, Karachi, Mirpurkhas, Tandojam and some other towns where the MQM boys allegedly snatched the bundles of the Karachi daily from its agents and hawkers and set them ablaze. The Bureau Office of the daily Hyderabad was also ransacked on June 21 and the reporters beaten up and threatened.

The feud between the MQM and daily Jang erupted when the daily published a statement issued by the former Hyderabad divisional president of the MQM Mr. Shabbir Hashmi alleging Altaf Hussain, the MQM chief, of having misappropriated party funds, his unilateral extension of support to the Sindhi Nationalist parties, personal projection at the cost of the Mohajir cause and his failure in achieving even a single objective laid down in the MQM programme.

The Hyderabad leader of the MQM levelled these charges against Altaf Hussain one week after he relinquished the party office announcing his disassociation with the MQM chief through the Karachi daily.

According to Altaf Hussain the said daily blacked out his version and unduly projected the benefactor of his party who he alleged was

himself involved in bungs and had violated the party discipline from time to time by refusing to submit the accounts of the funds collected from Hyderabad and other towns of Interior Sind.

It may be recalled that the MQM leader had warned the proprietors of the Karachi daily early this year to change their policy vis-a-vis MQM. He was released from the prison where he was lodged after the violent ethnic disturbances which broke out on October 31 last year. The Mohajir leader had accused the owners of the newspaper of having attempted to sabotage the unity of the Urdu speaking people with local Sindhis by providing wider publicity to the Jamaat-e-Islami and other forces known for their aversion to Sindhi-Mohajir unity. Altaf Hussain had then sounded a strongly worded warning that if the propaganda campaign against him was not stopped forthwith the Karachiites would reduce the multi-storied building of the newspaper into the size of a match box and parcel it to Gujrat (Punjab) where the owners originally hailed from. The Mohajir leader had frequently charged the paper of serving the vested interests of Punjab.

In his recent tirade against the said daily, Altaf accused the paper of having spread poisonous news not only about the MQM but a malicious campaign against the MRD when the leaders of its component parties got together in Karachi last week.

The MQM chief's latest statement published by a rival Urdu daily today indicates a major shift in the MQM policy vis-a-vis the MRD, the PPP, the Jeay Sindhi Tahrik, the ANP and the Sindhi-Baluch-Pashtoon Front. He is reported to have said that daily Jang while serving the interests of the rulers, had always tried to play down the activities of the above parties. While it played up the smaller gatherings of the Jamaat-e-Islami and other right wing parties, the newspaper had all along ridiculed the progressive and democratic forces of the country, he charged.

How far the campaign of the boycott of the daily had proved successful could have been judged, had the youth groups not forcibly compelled the newspaper agents to stop the supplies of the papers in Mohajir areas. Although the acts of hooliganism against the newspaper have invoked widespread condemnation from various social and political organisations, Altaf Hussain has however refused to take the responsibility, charging the owners of the paper of having arranged these assaults so as to damage and bring his party into disrepute.

Meanwhile a big procession protesting against the policies of the newspaper, was taken out in Hyderabad this evening by the workers and supporters of the Mohajir Qaumi Movement. A heavy police posse had cordoned off the Pakka Qila area and no untoward incident was reported till our going to press.

OFFICIAL TALKS ABOUT NEW TRADE POLICY

Lahore THE PAKISTAN TIMES in English 1 Jul 87 Commerce Supplement p 1

[Text]

JUNE 30: The new trade policy aims at maximising exports reducing dependence on imports and at the same time, encouraging domestic production and checking smuggling. This was stated by the Federal Commerce Secretary, Mr. R.A. Akhund here today.

Addressing a Press conference on the implications and salient features of the new trade policy, which is meant for three years, the Commerce Secretary said, according to the projections, the trade gap will reduce to one billion dollars by 1989-90 by the policy of liberalising imports and pushing up domestic production.

He enumerated several incentives given in the policy to promote exports which included induction of the private sector into export of cotton and rice and fiscal incentives for value added exports.

Free list

Speaking about putting 146 banned and restricted items on the free list, he said the Government intended to check smuggling and provide incentives for increasing domestic production.

The new items brought on the free list include plastic goods, tyres, rayon yarn, mild steel items, grinding equipment, handballs, ambulances, food grinders and mixers etc.

Linkage

He disclosed that an attempt has been made to balance tea trade which is a beginning towards

linkage. Under the new system, the TCP will import 70 per cent of tea. The remaining 30 per cent will be imported by the tea associations. Since most of the imports came from Kenya, negotiations were underway for sale of Pakistani products to that country, and there was satisfactory progress on the issue, he added.

Cotton yarn

Questioned about the problem of handloomers, the Secretary said that import of yarn has been allowed free of duty and without surcharge. Further, some restrictions have been put on export of cotton yarn which would leave substantial quantities for the powerloom industry.

Projections

On the trade projections, he said, that exports are projected to rise by 15.7 per cent in 1987, 14.3 per cent in 1988 and 14.6 per cent in 1989. The import projections envisage an increase of 7 per cent in 1987, 7.8 per cent in 1988 and 8.3 per cent in 1989. At the end of the three year period, the gap will be reduced to one billion dollars only, which would be in sharp contrast to the trade gap of three million dollars about three years ago.

He said apprehensions that import bill will go up by liberalising the imports were groundless. Rather it would increase domestic production and allow greater exports he said.

PROOF12Counter trade

Questioned about the progress of counter trade, Mr. Akhund said

that so far four multinationals had exported non-traditional items worth \$16 million. Now they would be trying to import things of equal value to Pakistan. He dispelled the fears that Pakistan would now become a dumping ground for the goods from these countries due to this policy.

APP adds: Mr. R.A. Akhund, said that the country's exports in dollar terms during the first 10 months had increased by 18.3 per cent, while in 1985-86 an increase of 23.2 per cent had been registered.

He said the increase in exports was based on the depressed level of 1984-85 when exports fell by 10 per cent. The main items contributing to this growth, he said, were raw cotton, rice, textiles, clothing and accessories, towels, hosiery, synthetic textiles, carpets, leather and its products and guar and its products.

He said that this growth was accomplished by increased quantum rather than price, adding that export unit price of a number of items had declined.

Replying to a question regarding the balance of trade through barter on the import of petroleum products, the Commerce Secretary said that almost 100 per cent import of petroleum products came from Kuwait. Explaining he said, that Kuwait on the other hand imported every thing excepting petrol.

In this context, the Commerce Secretary said that there would be no problem for Kuwait to trade with Pakistan on barter basis.

/13046

CSO: 4600/261

BRIEFS

MINISTER ON WULLER BARRAGE--Islamabad, June 28: The National Assembly was informed this evening that the construction of Wuller Barrage by India on the Jhelum River in occupied Jammu and Kashmir was violation of the Indus Water Treaty. This was stated by the Minister for Information and Broadcasting and Water and Power, Kazi Abdul Majid Abid during the question hour. He told a questioner that the Government of Pakistan had initiated action to settle the dispute as per provisions of 1960 treaty. In response to a question, the Minister said that it was not true that India was constructing a dam. However, he added India was constructing a barrage which includes a navigation lock on the Jhelum River (Wuller Lake) in occupied Jammu and Kashmir near Sopore which is about 20 miles upstream of Baramula. The Minister said that it was not correct that the Mangla Dam would dry up as the storage to be manipulated by India behind the barrage is about only 0.3 million acre feet (MAF), as compared to 5.88 MAF of Mangla Dam. [Excerpt] [Lahore THE PAKISTAN TIMES in English 29 Jun 87 p 1] /13046

CSO: 4600/261

END